



**BARRATT**  
DEVELOPMENTS PLC

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## Annual Report and Accounts 2021



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

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

➔ Read more on [our purpose and strategic priorities](#) on page 04

## Our third integrated report

We are committed to being a sustainable and responsible business. This is demonstrated in this integrated annual report. Our focus is the connection of economic, environmental, social and governance matters to create and preserve long term value for all our stakeholders.

➔ For a detailed description of [our approach to integrated reporting](#), go to the Appendix on page 181

### Non-financial information statement

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

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### Notice regarding limitations on Directors' liability under English Law

Under the Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in, and omissions from, the Strategic Report contained on pages 02 to 67 and the Directors' Report contained on pages 68 to 114. Under English Law, the Directors would be liable to the Company (but not to any third party) if the Strategic Report and/or the Directors' Report contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

### Strategic Report and Directors' Report

Pages 02 to 67 inclusive, and the Non-financial information statement above, comprise the Strategic Report, and pages 68 to 114 inclusive comprise the Directors' Report, both of which have been drawn up and presented in accordance with, and in reliance on, English Company Law. The liabilities of the Directors in connection with the reports shall be subject to the limitations and restrictions provided by such law.

### Cautionary statement regarding forward-looking statements

The Group's reports including this document and written information released, or oral statements made, to the public in future by or on behalf of the Group, may contain forward-looking statements. Although the Group believes that its expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different. Nothing contained in this Annual Report or on the Group's website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

### Alternative performance measures

In addition to the Group using a variety of statutory performance measures it also measures performance using alternative performance measures (APMs). Definitions of the APMs and reconciliations to the equivalent statutory measures are detailed on pages 177 and 178. The definition of net cash is included in Note 5.1 of the Financial Statements.

# Our highlights

## Our operational and sustainability highlights

5 STAR

HBF 5 STAR CUSTOMER SATISFACTION

(2020: 5 star)

1.78 TONNES PER 100m<sup>2</sup>

CARBON INTENSITY

(2020 (restated): 1.80)<sup>4</sup>

17,243

TOTAL HOME COMPLETIONS<sup>1</sup>

(2020: 12,604)

84.2%

EMPLOYEE ENGAGEMENT SCORE<sup>3</sup>

(2019: 84.5%)

97%

HEALTH AND SAFETY (SHE AUDIT COMPLIANCE)

(2020: 96%)

5.89 TONNES PER 100m<sup>2</sup>

WASTE INTENSITY

(2020: 7.70)

343

AVERAGE ACTIVE SALES OUTLETS<sup>2</sup>

(2020: 366)

4.7 YEARS

OWNED AND CONTROLLED LAND BANK

(2020: 6.7)

<sup>1</sup> Total home completions, including JVs, were 17,243 (2020: 12,604) for the year. Private home completions were 13,134 (2020: 9,568), affordable home completions were 3,383 (2020: 2,466) and JV home completions in which the Group has an interest were 726 (2020: 570).

<sup>2</sup> Including JVs.

<sup>3</sup> Employee engagement survey deferred to October 2021 to cover response to hybrid working.

<sup>4</sup> See page 173.

## Our financial highlights

21.0%

GROSS MARGIN

(2020: 18.0%)

64.9p

BASIC EPS

(2020: 39.4p)

£812.2m

PROFIT BEFORE TAX

(2020: £491.8m)

23.2%

ADJUSTED GROSS MARGIN

(2020: 18.5%)

73.5p

ADJUSTED BASIC EPS

(2020: 40.5p)

28.3%

ROCE

(2020: 15.6%)

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# Our business in summary

## Our homes

We are committed to building high quality homes and have been awarded 93 NHBC Pride in the Job Awards on our sites in 2021, more than any other housebuilder for 17 consecutive years.

## Our customers

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

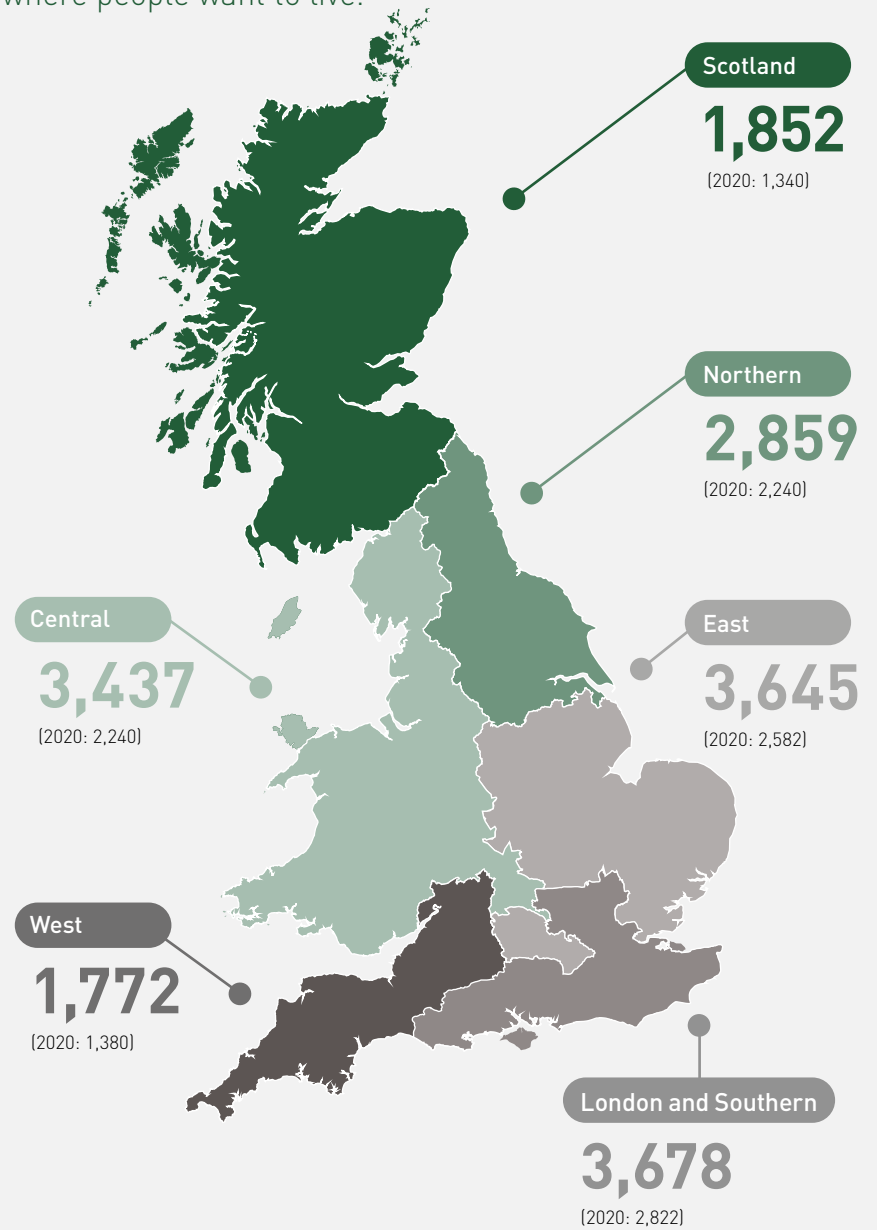
## Our brands

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

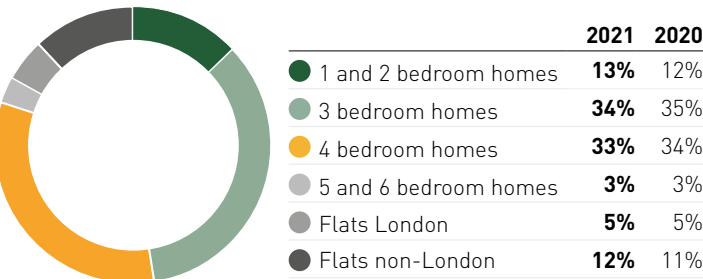


## Our home completions (including JVs)

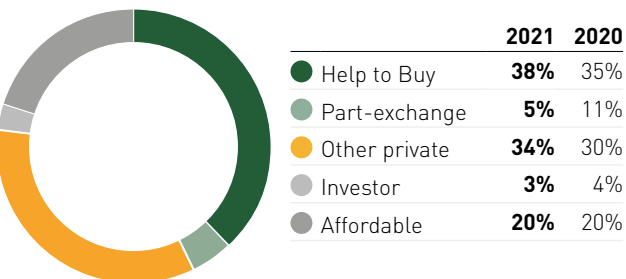
Developing high quality sustainable homes across Britain where people want to live.



Completions by unit type



Completions by deal type



## Our investment proposition

We have clear differentiators that underpin our investment proposition:

- We operate a fast build and sell model and, as a result, aim to run one of the shortest land banks in the industry.
- We maintain a resilient balance sheet with a clearly defined and embedded operating framework and a strong focus on cash generation.
- We have a strong and experienced workforce as well as a long established and committed sub-contractor base, who deliver high quality homes.
- Our build quality and customer service are fundamental to our business. We are the only major housebuilder to be awarded a HBF 5 Star rating for customer satisfaction for 12 consecutive years.
- We operate across Britain, diversifying our business and managing risk.
- We are the leading sustainable housebuilder operating nationally, and our ambitious targets will help support the low carbon and equitable economic recovery.

Shorter owned land bank

Strong balance sheet and cash generation

Highly experienced build and sales teams

Quality and service

Nationally diversified

Leading in sustainability

### Rebuilding volumes

Disciplined growth in home completions to current capacity of 20,000 homes.

### Delivering margin improvement

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

### Attractive returns

2.5 times dividend cover.

Achieve a minimum ROCE of 25%

## Our awards



5 Star award for 12 years  
Only major national housebuilder to achieve this



93 awards in 2021  
More than any other housebuilder for 17 consecutive years



Large housebuilder of the year  
Second year in a row, three times in five years



96 accreditations including 23 outstanding awards  
More awards than any other company



Gold award for 2020  
Highest scoring national housebuilder


# Our purpose and strategic priorities

## Our purpose

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


We will achieve our purpose by continually innovating and applying best practice across our four priorities:

## Our strategic priorities




**Customer first**

→ [Read more](#) on page 24




**Great places**

→ [Read more](#) on page 26



**Leading construction**

→ [Read more](#) on page 28



**Investing in our people**

→ [Read more](#) on page 30

Guiding all of our actions are our principles, through which we create a more successful and sustainable business to deliver long term value for our shareholders, partners, communities and society:

## Our principles



**Keeping people safe**

Putting health and safety first by committing to the highest industry standards. Embedding health and safety as a core value for which we are all responsible.



**Being a trusted partner**

Building meaningful, long-term relationships that make us the developer of choice for our partners. Innovating with our supply chain to drive efficiency and sustainability, whilst meeting our customers' needs.



**Building strong community relationships**

Engaging fully with local communities and customers when creating our developments. Ensuring we create places where our customers aspire to live and local communities thrive.



**Safeguarding the environment**

Minimising the environmental impact of our operations and supply chain while increasing the energy and resource efficiency of our homes. Seeking to enhance habitats, biodiversity and local environments across all of our developments.



**Ensuring the financial health of the business**

We maintain financial discipline across all aspects of our operations. This enables us to deliver our operational targets whilst maintaining our industry leading standards of customer and build quality.

We uphold these principles through our culture (see page 74) and the sustainable commitments we make to our stakeholders (see page 18).

# Our targets

↓ The team at our Whiteland Coast site in Stonehaven, Aberdeenshire

## Our operational and sustainability targets

**HBF 5 STAR**  
CUSTOMER SATISFACTION

**94%**  
HEALTH AND SAFETY MONITORING COMPLIANCE

**29%**  
REDUCTION IN SCOPE 1 + 2 EMISSIONS BY 2025 (FROM 2018 LEVELS)

**100% RENEWABLE**  
ELECTRICITY IN OWN OPERATIONS BY 2025

**24%**  
REDUCTION IN SCOPE 3 EMISSIONS INTENSITY BY 2030 (FROM 2018 LEVELS)

**ZERO CARBON**  
NEW HOUSETYPES IN USE FROM 2030

**NET ZERO**  
CARBON EMISSIONS ACROSS DIRECT OPERATIONS BY 2040

**5.67 TONNES PER 100m<sup>2</sup>**  
WASTE INTENSITY BY 2025

**20,000**  
TOTAL HOME COMPLETIONS

**30%**  
OF COMPLETIONS FROM STRATEGIC LAND BY 2025

**30%**  
OF COMPLETIONS USING MMC BY 2025

**3.5 + 1.0 YEARS**  
OWNED AND CONTROLLED LAND BANK

## Our financial targets

**23%**  
LAND ACQUISITION MINIMUM GROSS MARGIN

**25%**  
MINIMUM ROCE

**15% - 25%**  
LAND CREDITORS FUNDING OUR OWNED LAND BANK

**MINIMAL**  
YEAR END NET INDEBTEDNESS

**AVERAGE NET CASH**  
ACROSS THE FINANCIAL YEAR

**2.5 x**  
DIVIDEND COVER



# Chairman's statement



“We continue to deliver operational improvements throughout our business alongside high quality, sustainable homes and developments across the country”

**John Allan**  
Chairman

We have made huge progress in our recovery from the impact of COVID-19 and we remain focused on our medium term targets. We delivered 17,243 high quality new homes (including JVs) across Britain in 2021, 36.8% ahead of last year and almost back to the 17,856 homes we completed in 2019. I would like to thank all our employees, sub-contractors and suppliers for their dedication and commitment, and for delivering our excellent operational and financial recovery.

### Our employees

Our employees deliver our success. The Board is always keen to understand and respond to the views, concerns and challenges of our people - and this has never been more important than during recent times. Our Workforce Forum has continued to be pivotal in engaging with our employees, particularly in respect of future working arrangements. This has helped inform the Board's view that, whilst our offices will always remain important for encouraging the collaboration and contact, which is fundamental to the wellbeing, creativity and effectiveness of our teams, the remote ways of working, which we implemented during the pandemic, will enable us to be more flexible in the future. Further details can be found on pages 46 to 47.

The physical and mental wellbeing of our employees remains a priority for the Board. We continue to introduce new ways of supporting our employees whether they are working from home, on site or in the office. The Board also continues to monitor the development of diversity and inclusion as we seek to create an environment that promotes equal opportunities for all. Further details, along with our revised statement in respect of Modern Slavery and Human Trafficking, are included within the Chief Executive's statement on page 33.

### Our culture

Our business has a strong culture and belief in 'doing the right thing' and taking pride in the work that we do and the way in which we operate, whilst remaining focused on the needs of our customers and other stakeholders.

The strength of our culture throughout the Group has been shown through the speed, scale and the quality of our recovery notwithstanding the continuing challenges created by COVID-19. We continue to seek ways of further developing and improving the positive culture of our business.

The Board recognises that the culture of the Group is driven by its leadership and continuously strives to lead by example. Further details can be found on page 74.

### Sustainability

We have continued to develop our sustainability strategy, particularly with regards to climate change, driven by our belief that this is the right thing to do for the Group's long term prospects, our stakeholders and wider society. We are committed to leading our industry in both quality and sustainability and are striving to reduce our carbon emissions and the environmental impacts of the homes that we build whilst seeking to create biodiversity net gain across our developments. Creating a positive environmental, social and economic legacy

for future generations is core to quality housebuilding. This is embedded in our business through our purpose to lead the future of housebuilding by putting our customers at the heart of everything we do.

By doing business sustainably we create value for our stakeholders. However, we recognise that, against the backdrop of climate change pressures, we need to accelerate change in both our operations and our supply chain in a way that promotes the benefits of our activities for all stakeholders.

In 2021, we have taken several steps to enhance our focus on sustainability. The Board agreed to establish a new Sustainability Committee during the year. This Committee will report directly into the Board and will be chaired by David Thomas, our Chief Executive. It will play an active role in developing, executing and monitoring the ongoing improvements in our drive to increase and enhance sustainability across our business. The remit of this Committee are set out on page 66.

In addition, the Remuneration Committee has agreed to include a target to reduce construction waste within the FY22 annual bonus scheme and a carbon reduction target in the Long Term Performance Plan (LTPP) award due to be granted later this year. These targets will help the Group move closer to achieving its overall waste intensity and carbon intensity targets as set out on page 19.

We are also making good progress towards our compliance with the TCFD recommendations. Full details can be found on page 66. In addition, following stakeholder interest, we have for the first time begun reporting against the Sustainability Accounting Standards Board's (SASB) disclosure criteria on our website [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk).

Being a trusted partner is a principle we take seriously. We are committed to continuously enhancing our reporting disclosures to meet changing stakeholder needs and enable better analysis and comparability. That means continuing to align to best practice frameworks, standards and indices.

I am pleased to report that the steps we have taken to progress our sustainability strategy during the year have resulted in improvements in the Group's sustainability rankings across various indices, such as the NextGeneration sustainability benchmark, the Responsibility 100 Index developed by Tortoise and in our CDP scoring. This is a great credit to the hard work and dedication of our teams.

More information on our sustainability strategy is detailed in the Chief Executive's statement on pages 18 to 29, including our performance on health and safety, build quality and customer service.

### Building safety

We recognise that the wider complex issues surrounding fire safety guidance and cladding have caused distress for affected homeowners, as regulations and requirements have continued to evolve. A long term solution is needed which will require the involvement of the industry, the supply chain and Government. We have contributed to the Government's consultation on establishing a Residential Property Developer Tax to raise tax revenues for the Government's Building Safety Fund.

We will continue to dedicate significant focus to this area, as founding signatories to the Building Safety Charter and active members of the Early Adopters Group, which is committed to protecting life by putting safety first ahead of all other building priorities. The Executive Directors and I also continue to engage with all relevant stakeholders to try and identify the much needed industry solutions to support leaseholders and residents. For details on the steps we have taken and the costs associated with legacy properties see page 16 in the Chief Executive's statement.

### Board changes

It has been a year of change for the Board. On 1 March 2021 we welcomed Katie Bickerstaffe and Chris Weston to the Board. They bring a wealth of experience in business transformation, marketing, commerce and in driving performance and growth, which complement the existing skills of the Board. Details of the recruitment process for Katie and Chris can be found on page 81.

On 4 May 2021, Richard Akers stepped down from the Board after completing nine years of service. I would like to thank Richard for his significant contribution to Barratt during his tenure; in particular, his excellent Chairmanship of the

Remuneration Committee and his wise counsel as Senior Independent Director.

At the end of June 2021, Jessica White stepped down as Chief Financial Officer and a member of the Board for personal reasons. I would also like to thank Jessica for her valued contribution during her 15 years with the Group, not only in her four years as Chief Financial Officer, but also in her previous senior finance roles. As Chief Financial Officer, Jessica was an integral member of our leadership team and played an instrumental role in driving the Group towards its medium term targets. Information relating to the payments made to Jessica and Richard can be found on pages 102 and 103.

As announced on 29 June 2021, Mike Scott will join the Board as our new Chief Financial Officer at a date to be agreed. Mike brings a wealth of financial experience as he currently holds the same position at Countryside Properties PLC and we are delighted to be welcoming him to the Group. Details of the recruitment process for this appointment and the remuneration package offered can be found on pages 100 and 102 respectively.

### Stakeholder engagement

Stakeholder engagement is a key part of the Board's agenda. Due to COVID-19, the Board was unable to undertake its normal site visits during the year. The Board has however, stayed in touch with the business through updates from the Designated NED for Workforce Engagement and the Executive Directors. I also attended the virtual Senior Leadership meeting to better understand the challenges our employees were facing on a day-to-day basis, and to thank them for their support, hard work and commitment in keeping the business operating through these challenging times.

In addition, I have attended virtual meetings with shareholders to discuss our approach to the continued COVID-19 restrictions and how we are tackling matters such as ESG and cladding.

Our 2020 AGM was held as a closed meeting, however we were keen to ensure that our shareholders had the opportunity to raise any questions ahead of the meeting. A designated email address was set up which allowed our shareholders to pose questions relating to the business to be transacted at the AGM. Each query was responded to on an individual basis and a copy of the questions and answers can be found on our website [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk).

You can find out more on how we have engaged with key stakeholders on pages 45 to 55.

### Dividend

The Board established a new dividend policy based on an ordinary dividend with a 2.5 times dividend cover in 2020. The Board was delighted to resume dividend payments with the declaration of an interim dividend of 7.5 pence per share in February 2021 and is pleased to recommend a final dividend of 21.9 pence per share (2020: nil pence per share). Subject to shareholder approval, the final dividend will be paid on 9 November 2021 to those shareholders on the register as at the close of business on 1 October 2021. The total proposed ordinary dividend for 2021, including the interim dividend of 7.5 pence per share paid in May 2021, is 29.4 pence per share (2020: nil pence per share; 2019: 29.1 pence per share).

### AGM

Our 2021 AGM will be held at the Ironmongers' Hall in London on Wednesday 13 October 2021 at 12 noon. There are still COVID-19 restrictions in place at the venue and we would ask all shareholders looking to attend the AGM to adhere to these requirements. There will be a live webcast and the ability to submit questions on the day as well as in advance of the meeting. Voting at the AGM will continue to be by way of a poll to accurately reflect the holdings of our shareholders. Full details can be found in the Notice of AGM.

### Looking to the future

Our business is in a strong position with substantial net cash, a well-capitalised balance sheet and a strong forward sales position. We continue to deliver operational improvements throughout our business alongside high quality, sustainable homes and developments across the country. However, we recognise that the UK economy continues to face uncertainties arising from COVID-19.

We have a diverse and experienced Board that is committed to promoting the success and long term sustainable value of the Group. We will continue to review our Board composition to ensure it has the skills, knowledge and experience that are aligned with our strategy as we move forward.

We remain focused on our medium term targets. The Board will continue to respond to changes in the market and the wider economy but believes that our operating performance, strong forward order book and further strengthened financial position provide us with the resilience and flexibility to react to changes in the operating environment in FY22 and beyond.

On behalf of the Board, I would like to thank you for the confidence you have shown in the Group during 2021, in what has been a challenging period for us all, and for your continued support.

**John Allan**  
Chairman

1 September 2021

UK economy

UK economic output saw a sharp recovery through to October 2020, following the end of the initial national lockdown, but renewed restrictions on activity saw the economy then contract through to the end of January 2021. With the gradual removal of COVID-19 restrictions, the economy has shown continuous expansion since February 2021, although output has yet to recover to pre-pandemic levels. Looking forward there are clear signs of optimism with the latest HM Treasury collated economic forecasts projecting GDP growth of 6.9%<sup>1</sup> in 2021 and 5.6%<sup>1</sup> in 2022. Uncertainties for the wider economy do however remain, notably around employment and consumer confidence, with the gradual withdrawal of furlough arrangements for employees and income support for the self-employed particularly important in the coming months.

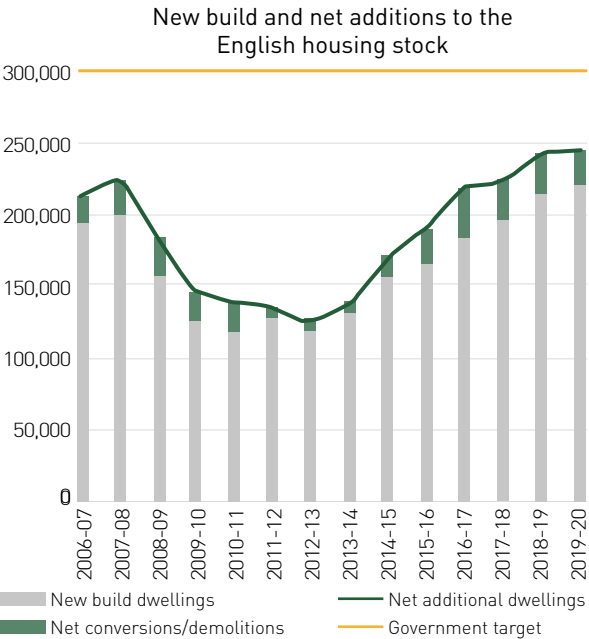
Housing demand

The UK housing market, in contrast, has shown a remarkable and continuous recovery since emerging from the initial national lockdown, aided by the industry's ability to continue operating over this subsequent period. This reflects pent-up demand created by the lockdown and the SDLT holiday. It also reflects a recovery from the more extended period of uncertainty and suppressed housing market activity (evident since the Brexit referendum in 2016), as well as a reprioritisation of housing for many households since the onset of the pandemic. Against this backdrop we believe that the market for housebuilding remains positive.

Housing supply

Housing remains high on the Government agenda with the shortage of housing being recognised as a critical issue for the long term health of the UK economy and its growing population. The UK Government reiterated its commitment to a target of building c. 300,000 new homes per year in October 2020. New build housing additions were 220,600<sup>2</sup> in the last reported 12 month period to 31 March 2020 which, when combined with the net additions from conversions and demolitions of 23,170<sup>2</sup>, resulted in net additions to the housing stock of 243,770 homes<sup>2</sup>. There remains a significant shortfall in new home additions, providing opportunity for industry growth over the coming years.

Our strategy and growth plans recognise this opportunity. We maintained our volume capacity throughout the first COVID-19 lockdown and our medium term target remains to grow completions to 20,000 homes, 16% ahead of total completions of 17,243 in FY21.



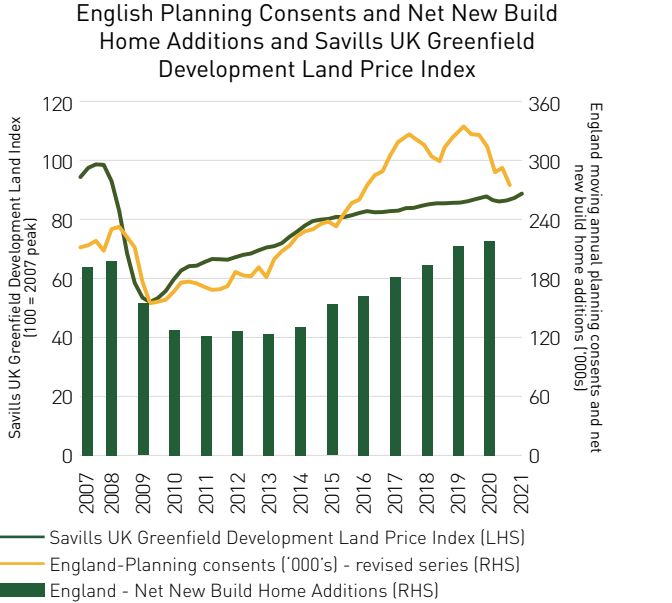
Land supply and the planning system

There remains a good supply of planning consents coming through the planning system in support of housebuilding growth despite pandemic related disruption with 277,326 new detailed planning permissions approved in England through the year to 31 December 2020<sup>3</sup>.

Reflecting the good availability of land, our business model and operating framework remain focused on operating one of the shortest land banks in the industry as we seek to optimise return on capital.

We await the outcome of the Government's consultations on land and planning proposals. The Government is seeking to streamline the planning process and ensure local authorities have a clear local plan. We continue to carefully monitor the planning environment to ensure our supply of planning consents is aligned with our growth plans.

On 6 May 2021, the temporary regulations under the Coronavirus Act 2020 that allowed local authorities to hold planning committee meetings virtually expired, with no alternative arrangements in place. This has resulted in delays to the planning process.



Building materials and labour

We experienced very different rates of build cost inflation in the first and second halves of FY21. In the first half, build cost inflation was relatively muted, reflecting the fall in output created by the initial national lockdown, latent supply chain capacity, as well as our procurement planning. Building material price agreements provided cost certainty as well as visibility for our supply chain partners.

In the second half of FY21, we saw a rebound in housebuilding activity. In addition we saw growth in demand for commodities including steel, timber and plastics, which resulted in greater inflationary pressure on building material costs.

Through our centralised procurement team, careful scheduling of building materials and the support of our long-standing supply chain partners, we are focused on ensuring security of supply whilst seeking to manage build cost inflation.

Housing market support

During the year, the Government's Help to Buy scheme became available to first time buyers only with regional price caps being applied. Following the change for reservations from December 2020, first time buyer activity has been maintained and existing homeowners have migrated to traditional purchase.

The SDLT holiday, introduced in July 2020, which raised the threshold at which the tax becomes payable to £500,000, has supported housing demand throughout the year. The holiday began to taper from 1 July 2021 and is scheduled to finish at the end of September 2021. Whilst our sales activity benefited from this "call to action" in FY21, our sales reservations in recent months, for completion beyond the SDLT holiday period, have remained robust.

In early 2021 the Government introduced the Mortgage Guarantee Scheme to support LTV lending in excess of 90%. This scheme has been adopted by several mainstream mortgage lenders, but as yet has not been made available to the new build housing market.

Mortgage market

Reflecting the continuing strength of the housing recovery since the end of the initial national lockdown and including the impact of the SDLT holiday from July 2020, mortgage approvals for house purchases have shown a sharp recovery and totalled more than 1,070,000 in the year to 30 June 2021. Mortgage approvals were some 61.7% ahead of the initial national lockdown interrupted year to 30 June 2020 but also 36.4% above the mortgage approvals registered in the year to 30 June 2019.

We continue to work with building societies, banks and other financial institutions to increase lender understanding and to introduce additional lenders to the new build sector. We are also participating in the development of green mortgages that reflect the efficiency and environmental credentials of our homes.



Government legislation

Government advice on cladding and external wall systems continues to evolve. The Building Safety Bill, introduced to Parliament in July 2021, seeks to give residents more power to challenge developers on build quality and building safety concerns and will retrospectively extend the current period during which claims can be brought against developers from six to 15 years.

The Government announced in January 2021 that it would grant leaseholders of eligible properties the right to extend their leases free of ground rent. In addition, in June 2021 the Government published the Leasehold Reform (Ground Rent) Bill that aims to prevent ground rents from being charged on new homes. This is alongside the CMA's ongoing investigation into the leasehold housing market.

The Government has pledged to take legislative action on climate change. In 2021 we saw the continued progress of the Environment Bill through Parliament, which includes the requirement to set binding targets for biodiversity net gain, nature protection, water stewardship, nitrate and phosphate neutrality, air quality, and waste management.

In June 2022, changes to Part L and F of building regulations in England come into effect. This allows for a one year transition period and will require new homes to achieve a 31% reduction in carbon emissions compared to current standards. The Government has also confirmed that the 2025 Future Homes Standard will require a reduction in emissions of 75%-80%, including the prohibition of gas boilers in new homes.

The Government's legally binding commitment to making the UK net zero by 2050 will require all companies to take substantial action to reduce the direct and indirect carbon emissions from their operations. Carbon pricing schemes ('cap and trade' systems or taxes) are anticipated to be a key tool in the global drive for decarbonisation.

➔ See how we are responding to the drive towards zero carbon in **Building Sustainably** on pages 21 to 23

1. HM Treasury. <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-august-2021>

2. MHCLG. <https://www.gov.uk/government/statistics/housing-supply-net-additional-dwellings-england-2019-to-2020>

3. HBF & Glenigan. [https://www.hbf.co.uk/documents/11164/HPL\\_REPORT\\_2020\\_Q4.pdf](https://www.hbf.co.uk/documents/11164/HPL_REPORT_2020_Q4.pdf)

4. Bank of England. <https://www.bankofengland.co.uk/boeapps/database/>



# Business model

## Key resources

We utilise the following key resources to create value for our stakeholders:

- Our people**
- Committed and engaged employees.
  - Strong and long standing sub-contractor relationships.
  - Training and development.

- Health and safety**
- Dedicated health & safety team.
  - Continuous improvement culture.

- Financial**
- Strong shareholders' capital.
  - Robust cash generation.
  - Access to debt facilities.

- Land**
- Current land bank with planning.
  - Optimised site size.
  - Strategic land bank.

- Strong community relationships, our partners and supply chain**
- Ongoing landowner relationships.
  - Local government engagement.
  - Committed to community engagement.
  - Mortgage lender relationships.
  - Supply chain partnerships.
  - Joint Venture partnerships.

- Design and innovation proficiency**
- In-house technical team.
  - Investing in research and development.
  - Academic research partnerships.
  - Biodiversity and climate knowledge and external partnerships.

- Construction and development expertise**
- In-house construction expertise.
  - Timber frame manufacturing capacity and timber sourcing controls.
  - Industry-leading build quality.

- Sales and marketing expertise**
- Dual brand marketing capabilities.
  - Highly trained sales team.
  - Digitally-led customer journey.
  - Industry-leading quality and customer service.

## Investment in the housebuilding value chain



### Targeted land buying and effective planning

We acquire land in targeted locations across the country where homes are needed and where we can achieve attractive returns for shareholders. Working closely with local communities and stakeholders, whilst applying our land and planning skills, we seek to gain planning consents that enable the creation of great homes and sustainable places where our customers aspire to live.

### Outstanding Design

We design homes that, through innovation and customer research, meet customers' aspirations. Our standardised housetype designs are continually evolving and improving to meet changing customer demands and the challenges of the changing climate. We design "Great Places" that create a positive impact on ecology, biodiversity and the health and wellbeing of communities.

### Construction excellence, innovation and efficiency

Through efficient construction and innovation our ambition is to maximise the value of all materials, resources and products at each stage of our value chain. We deliver through best-in-class site management, centralised procurement and technical resources, as well as the highest standards of health and safety.

### Innovative sales and marketing

We look to continually innovate our sales and marketing methods through technology investment and training. Our strong brands - Barratt Homes, David Wilson Homes and Barratt London - have clearly defined market positions targeted to differentiated customer aspirations.

### Industry leading customer experience

From our initial customer contact, through the home buying process to our after sales service, we aim to deliver an industry leading customer experience. This is underpinned by a strong culture and the commitment of our people.

## Competitive advantages

### Scale and technical resources

We have clear advantages of scale with our financial strength, land bank diversification and operating capacity. This means that we can invest in in-house technical expertise in land buying, planning, design and development, procurement, construction, marketing and sustainability.

### Commitment to quality, customer service and sustainability

We lead the industry in build quality, customer service and sustainability. Each has involved significant and continuous investment over many years, reinforced by clear processes and supported by our culture. We believe these are key to our reputation with investors, landowners, suppliers and customers, and support our ability to operate in communities across the country.

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

Our business is based on a culture of doing the right thing, putting our customers at the heart of everything we do and having pride in the quality and customer service we deliver. Our culture is embedded throughout our business and guides both management decision making and the actions of our employees.

### Resilient, adaptable and sustainable business

Our resilient, adaptable and sustainable approach emphasises the creation and retention of value, driving cost reduction, risk mitigation, sustainable growth, transparency and trust in our business. This in turn drives margin improvement and increased competitiveness, as well as an improved reputation among our stakeholders.

## Value created for stakeholders in short, medium and long term

Our stakeholder engagement (see pages 45 to 55) allows us to align our activities to our stakeholders' expectations on ESG matters, and the integration of sustainability throughout our business decision-making enables us to create value for all our stakeholders, helping to mitigate risk whilst enabling us to seek opportunities for differentiation and margin improvement.

### Customers

Through a positive home buying journey, we deliver high quality, sustainable homes supported by dedicated after-sales care. Outstanding design creates developments that enhance the wellbeing of our customers, homes that meet changing lifestyles and, through energy efficiency, have lower lifetime home operating costs.

### Employees

We create a great place to work, founded on an open and honest culture, focused on performance and personal development which embraces diversity and inclusion. We aim to attract and retain the best people to whom, through business growth and employee development, we can offer rewarding long term career development opportunities.

### Shareholders

Through our medium term targets, we strive to improve the quality and efficiency of our operations, generate growth in profitability and attractive returns on capital. Our operating framework creates financial discipline to support the resilience of our operating business model and balance growth with delivering cash returns to shareholders.

### Sub-contractors and suppliers

We recognise that our suppliers and sub-contractors are critical to the delivery of our strategic objectives and seek to be their developer of choice. We invest in our relationships through transparency, timely supplier payment and the forward visibility of building materials, products and future workload we can offer.

### Communities

We seek to create a positive legacy to help local communities thrive. This is achieved through planning gain contributions to improve community infrastructure and facilities and our place making. We create enhanced environments that benefit all in the communities in which we develop.

### Wider society

We are building the sustainable homes the country needs, creating jobs and supporting economic growth. We also make substantial taxation contributions to support wider society.

David Wilson Homes at Doseley Park, Shropshire



# Our business model in action: Doseley Park

Doseley Park is one of our David Wilson Homes developments. The site has been developed by our Mercia Division and is an extension to the village of Doseley, located in Shropshire. The village benefits from an array of excellent local amenities, good motorway connectivity and is only a few miles away from Ironbridge, a World Heritage site.

## Targeted land buying and effective planning

The site was originally a cement works, with the Division securing a strategic option over the site. The site was identified by our land teams, as having high potential for a future housing development. The Division, through their planning and technical teams, supported by external

consultants, and in partnership with the local authority and local community, promoted the site through the planning process and ultimately achieved a planning consent for a development of 460 homes.

The planning consent was issued, in line with most developments, with a section 106 agreement. Through this agreement the Division has contributed in excess of £1m to local facilities, the largest amount being towards the provision of local education needs.

## Outstanding design

The site benefited from a design code with a 'Garden City' theme. The principles of this were contemporary homes, well defined character areas and generous amounts of open space, particularly enhancing the woodland and natural surroundings. Our teams used their industry leading place making skills to ensure an outstanding design was created.

The design used our standard houstypes, with product ranging from two bedroom first time buyer homes, to larger five bedroom family homes, including an

affordable housing mix. The Division developed the site utilising carefully selected materials for feature plots (as demonstrated in the photo above), with character areas from higher density apartments and boulevards featuring townhouses in certain central areas of the site, to executive homes in pocketed areas around the perimeter of the site. The design also included SUDS making a natural feature of drainage channels whilst benefiting wildlife and complimenting the open spaces. The photograph on the front cover of our Annual Report & Accounts shows a selection of our townhouses on Doseley Park.

## Construction excellence

Construction is being led by Kirk Raine, who is the Site Manager for the development. Kirk joined the Group 11 years ago, starting his career as an apprentice bricklayer. He is now a second time NHBC Supreme Pride in the Job Award winner, the most recent being in 2020 for his work on this development. Kirk fought off competition from more than 16,000 Site Managers throughout Britain to scoop this top prize. He is a mentor

Doseley Park's Site Manager, Kirk Raine, was the 2020 Supreme Winner in the Large Builder category at the NHBC Pride in the Job Awards



for Site Managers within the Division and around the Group, and is well-respected for sharing his expertise and experience with his fellow colleagues.

Kirk said "I am extremely honoured to have been given the NHBC Supreme Award, it is a privilege. This has been an enormous team effort and I would like to thank the whole site team and my Directors for their support. As a team, we take a great amount of pride in the high levels of quality and service we deliver for our customers at Doseley Park and we are proud to work for a 5 star housebuilder".

## Innovative sales and marketing & Industry leading customer experience

The site has been awarded a 5 star customer care rating from its customers since its inception. This means that over 90% of our customers on this development would recommend us to their friends and families. Jack Grove and Shannon Finnigan said: "We were aware of David Wilson Homes and knew they were well-respected in the industry, plus our families recommended them to us. It is so nice to move into a new home knowing that

everything is ready for you and is of a high quality – it really is the perfect start."

Rob and Sarah Game also moved into a home at the development, they said: "Overall, the house and the service from David Wilson Homes has been outstanding. The team here is clearly passionate about their work and they have gone above and beyond to make sure our move was a smooth one."

In response to market and product demand, the site has had a small re-plan to offer homes from our Barratt brand. This has provided an expanded product choice to our customers, whilst also resulting in an improved sales rate.

## Value for stakeholders

As well as an example of providing the beautiful new homes that the local community, and our country needs, Doseley Park continues to develop value for stakeholders in other ways. We supported the local community through employment opportunities and providing a development that boasts substantial areas of green space. In addition, our apprentices gained valuable experience whilst working on site

as part of the apprenticeship programme in which they participate.

Alan Ferguson, Contracts Manager, who is responsible for the Division's Bricklaying apprentices, said: "Our apprentices learn a whole host of skills in their chosen trade whilst working with us, as well as the importance of maintaining high levels of health and safety in everything that they do. I am proud to work for the Mercia division and that I am able to give something back to the building trade. In my opinion, we give apprentices the best opportunities and training available and the full support of everyone at the Division & from Group. It is also an inspiration for the apprentices to work with the likes of Kirk, who himself started out as an apprentice bricklayer."



Chief Executive’s statement



We have made excellent progress in what has been a challenging year, with health and safety remaining our absolute priority. I thank our employees, sub-contractors and supply chain for their hard work and dedication which enabled us to successfully rebuild our site-based construction activity, deliver quality homes alongside great customer service, and achieve our gross margin and ROCE targets. Looking forward, our focus remains on our medium term targets including growing completion volumes, and our industry leadership of sustainability to deliver long term value creation for all our stakeholders.

“Sustainability presents opportunities for business prosperity and growth, encourages innovation and resilience, and improves our products and customer experience”

David Thomas  
Chief Executive

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

We are committed to playing our part in addressing the housing shortage and delivering the high quality, sustainable homes and developments needed across England, Scotland and Wales. In doing so, we will continue to play our part rebuilding Britain’s economy as we emerge from the extended period of disruption created by COVID-19.

We will continue to lead the industry on sustainability and, in particular focus on our environmental impact, with clear targets and plans.

**Housing market fundamentals**  
Despite the continued economic uncertainties following the pandemic, the housing market fundamentals remain attractive. There is strong demand for high quality new homes across the country.

The strength of new housing demand, as well as years of undersupply, underpin the Government’s ongoing target to build 300,000 new homes each year. We are well positioned to deliver high quality sustainable homes and developments needed across England, Scotland and Wales.

The land market remains attractive with a good supply of land opportunities, and despite pandemic-related challenges, planning consents remain ahead of home building activity. We continue to secure land opportunities at or above our minimum hurdle rates.

For the industry to continue to increase new home supply, it is vital that home buyers can access affordable and competitive mortgage finance. The revised Help to Buy scheme continues for first time buyers through to 31 March 2023. We continue to explore alternative ways to support our customers and are currently trialling the

Deposit Unlock Scheme, which offers a 95% mortgage, with a UK mainstream lender.

**Performance overview**  
We have delivered an excellent performance throughout the year, making significant financial and operational progress while improving both build quality and customer service. Our performance reflects the discipline embedded by our operating framework and the resulting strength in our business, as well as the commitment of our employees, sub-contractors and supply chain.

We increased wholly owned completions by 37.3% to 16,517 homes in the year ended 30 June 2021 (2020: 12,034 homes; 2019: 17,111 homes). In addition, we delivered 726 homes through our JVs (2020: 570 homes; 2019: 745 homes). Total completions including JVs for the year were 17,243 homes (2020: 12,604 homes; 2019: 17,856 homes).

In the year, we achieved our medium term gross margin target delivering a 23.2% (2020: 18.5%; 2019: 22.8%) adjusted gross margin, with adjusted gross profit of £1,114.7m (2020: £631.4m; 2019: £1,087.4m), reflecting market strength and completion volume recovery. After the combination of legacy property costs and our repayment of CJRS grant income, totalling £104.7m, gross profit was £1,010.0m (2020: £614.3m; 2019: £1,084.2m), resulting in a gross margin of 21.0% (2020: 18.0%; 2019: 22.8%).

After administrative costs, we delivered an adjusted profit from operations for the year of £919.0m (2020: £507.3m; 2019: £904.3m) at an adjusted operating margin of 19.1% (2020: 14.8%; 2019: 19.0%). Profit from operations was £811.1m (2020: £493.4m; 2019: £901.1m).

After finance costs and JV income we have delivered an excellent recovery in profit before tax for the year to £812.2m (2020: £491.8m; 2019: £909.8m).

We have significantly strengthened our balance sheet with year end net cash of £1,317.4m (2020: £308.2m; 2019: £765.7m) and in line with our operating framework, we have reduced our land creditors to £658.3m (2020: £791.9m; 2019: £960.7m), achieving our minimal net indebtedness target. We have also driven our ROCE back to our medium term target level achieving 28.3% (2020: 15.6%; 2019: 29.7%).

**Our targets for the coming year and medium term**  
In 2021 our focus on rebuilding both our completion volumes and our financial performance has delivered an excellent improvement on gross margin and ROCE. Following this performance, whilst recognising the UK economy continues to face uncertainty, we have a clear strategy and targets for both the year ahead and the medium term, over the coming three to five years.

**Keeping people safe**  
Our priority is to provide a safe environment for employees, sub-contractors and customers and we are committed to achieving the highest industry health and safety standards.

In response to COVID-19 we implemented extensive working practices and protocols, which we have continued to refine and update in line with the latest guidance from Government, Public Health Authorities and the Construction Leadership Council. We also enhanced our induction, training and support for our employees and sub-contractors. Our arrangements were

**Our business model has a present capacity for 20,000 completions**

- We intend to grow completions back to pre-pandemic FY19 levels in FY22 with wholly owned completions between 17,000 and 17,250 homes with an additional c. 750 JV completions.
- Completions are expected to return to more normal phasing between the first and second halves of the year.
- Beyond FY22, we target disciplined volume growth at between 3% and 5% per year towards our current business capacity of 20,000 completions.

**Our gross margin target remains at a minimum 23%**

- We continue to buy land at a minimum 23% gross margin hurdle rate.
- In FY22 we expect our first half and second half margins to reflect our return to a normal phasing of completions.

**Our ROCE target remains at a minimum 25%**

- In FY22 and beyond, we aim to continue to deliver a minimum ROCE of 25%, in line with our medium term target.
- We expect ROCE at the half year to be affected by a return to the normal phasing of first half and second half completions as well as our planned investment in land and work in progress for future years.

**Long term value creation**  
We are focused on creating long term value for our stakeholders and recognise that the resources we use are finite, from the materials we consume to the land we develop. Climate change makes it imperative that we constantly scrutinise and challenge the way we operate, as well as the environmental impact of our business. Our commitment is to remain the leading national sustainable housebuilder - our recognition in the sustainability indices demonstrates that we are making very good progress.

Set out below are our objectives for both the year ahead and the medium term, as well as our progress and activities in 2021:

	Progress in FY21	Areas of focus for FY22	Medium term targets
Home completions	<ul style="list-style-type: none"><li>• 37.3% growth in wholly owned home completions to 16,517 (2020: 12,034) with 726 JV completions (2020: 570).</li></ul>	<ul style="list-style-type: none"><li>• Rebuilding volumes back to FY19 levels.</li><li>• Wholly owned home completion growth to between 17,000 and 17,250 with c. 750 JV completions.</li></ul>	<ul style="list-style-type: none"><li>• Disciplined growth in home completions to current capacity of 20,000 homes.</li></ul>
Gross margin	<ul style="list-style-type: none"><li>• 470 bps increase in adjusted gross margin to 23.2% (2020: 18.5%).</li><li>• 300 bps increase in gross margin to 21.0% (2020: 18.0%).</li></ul>	<ul style="list-style-type: none"><li>• Delivering continued operational improvements across our business.</li></ul>	<ul style="list-style-type: none"><li>• Land acquisition at a minimum 23% gross margin and optimising performance.</li></ul>
ROCE	<ul style="list-style-type: none"><li>• 1,270 bps rebound in ROCE to 28.3% (2020: 15.6%).</li></ul>	<ul style="list-style-type: none"><li>• Balanced and selective land and work in progress investment to support growth.</li></ul>	<ul style="list-style-type: none"><li>• Minimum of 25% delivered through improving margin and operating framework discipline.</li></ul>

certified by the British Safety Council that they were in accordance with guidance and best practice, demonstrating our commitment to providing a safe and healthy workplace.

We have stringent standards and a continuous focus on health and safety throughout our business. In line with the wider construction industry and reflecting increased activity levels across housebuilding, we have unfortunately seen an increase in our IIR in the year at 416 (2020: 256; 2019: 297) per 100,000 workers. Our Health and Safety SHE audit compliance rate however improved to 97% (2020: 96%; 2019: 96%). We are committed to improving our processes and procedures and challenging unsafe behaviours in order to reduce our IIR. An action plan has been put in place, which the SHE Committee will be monitoring closely.

We also continue to focus on ensuring workers do not suffer long term issues associated with their work activities. We have implemented controls and raised awareness in areas such as exposure to hazardous dusts. We are also working with our key contractors to encourage them to implement health surveillance programmes for their workforces.



Responsible development

Citiscape and associated review

In line with our commitment to put customers first and recognising the responsibility we have for the work of our partners, in July 2020 we announced we would pay for the required remedial action on the reinforced concrete frame at Citiscape. This was a development designed for us in 2001 by a third party structural engineering firm, where remedial costs would have otherwise fallen on leaseholders. We are pleased to report that over the last year the remedial action plan with respect to Citiscape has been completed.

As a responsible developer, we also appointed independent structural engineers to review all the other developments where reinforced concrete frames were designed for us by the same third party firm as Citiscape. We are pleased to report that this review is now substantially complete and did not identify any other buildings with issues as severe as those present at Citiscape. The cost of any remedial works will not be borne by leaseholders at these other developments.

External wall systems and associated review

As stated in the Chairman’s statement, we remain focused on the complex issues surrounding fire safety and cladding. Consequently, we have established a Building Safety Unit which will bring additional expertise and resources to review and assess the construction of our multi-storey buildings in light of Government guidance on cladding and external wall systems.

All of our buildings, including the cladding and complete external wall systems used, were signed off by approved inspectors as compliant with the relevant Building Regulations at the time of their construction. In the aftermath of the tragedy at the Grenfell Tower, we acted to remove and replace ACM cladding from the small number of legacy developments where this material had been installed.

Alongside evolving Government advice on fire safety for multi-storey buildings, we are working with building owners, management companies and expert engineers on assessments of buildings we have constructed and the solutions needed to support leaseholders and residents.

Costs in relation to legacy properties

In aggregate, from 1 July 2017 to date, we have incurred charges of £184.2m across both the Citiscape, external wall systems and associated reviews. Of this, £81.5m was charged to adjusted items during 2021. We have outstanding provisions of £67.6m.

Whilst the charges reflect the current best estimate of the extent and future costs of work required, as assessments and work progresses or if Government legislation and regulation further evolves, estimates will be updated.

Following the establishment of our in-house Building Safety Unit, in FY22 we anticipate adjusted items of at least £40m for costs associated with EWS and cladding related remediation activities. These are costs that we may agree to incur beyond our contractual and legal obligations, and in response to evolving legislation.

Competitions and Markets Authority

On 11 June 2019 the CMA announced it had opened an investigation into the leasehold housing market. On 4 September 2020 the CMA announced it had opened cases with respect to ourselves and three of our competitors in relation to possible breaches of consumer protection law in the residential leasehold sector. Following these announcements, we have responded to a number of CMA requests for information.

We are committed to putting our customers first and continue to engage with the CMA whilst it completes its investigation.

Charitable giving

We recognise the role we have in supporting the communities in which we operate. This is why we support a range of both local and national good causes, and encourage divisions to get involved with both fundraising and volunteering. In 2021 we raised and donated £4.3m (2020: £4.4m) for charitable causes.

The Barratt Developments PLC Charitable Foundation

This year we launched the Barratt Foundation. The Foundation will draw together all of our charitable work under one body, improving our impact across the communities we support and, thanks to Barratt Developments’ core funding, ensuring that every pound raised by the Foundation is available for charitable activities. The Foundation will support a wide range of charities in the UK.

To mark the launch of the Foundation, and to celebrate the completion of our 500,000th home, in January 2021 the Barratt Foundation 500k Giveaway supported ten employee-nominated charities.

Barratt and David Wilson Community Fund

Throughout 2021 we continued to support the Barratt and David Wilson Community Fund which allows each of our divisions to donate £1,000 to a different local charity each month. The Community Fund helps our employees to support the local causes that matter to them. From the start of the new financial year, the Community Fund is administered by the Barratt Foundation.

Employee engagement in our charitable activities

To encourage our employees to raise funds for local causes, the Group operates a fund matching scheme at both divisional and individual employee level. During 2021 the Group made available match funding of up to £15,000 per division and also provided up to £1,000 of match funding per individual for fund raising activities.

We also provide employees with one day of paid leave per year to encourage them to volunteer for a charity of their choice. In addition, we partner with Payroll Giving in Action to enable employees to make regular, tax-free donations to their chosen charities. In the 12 months to December 2021 the Group has agreed to match these donations.

Given COVID-19 restrictions it was difficult for our colleagues to fundraise during 2021. The Group therefore organised two virtual events, the Big Barratt Hike and the Barratt 500k challenge, to raise funds for three different charities. Our employees raised an amazing £145,500 towards the chosen charities.

In support of all the fundraising that our employees have managed to undertake in 2021, the Company has provided match funding totalling £363,500.





# Chief Executive's statement CONTINUED

## Building Sustainably

We are determined to be the leading national sustainable housebuilder. We believe that fundamental to building quality homes is building a positive legacy for future generations. Sustainability presents opportunities for business prosperity and growth, encourages innovation and resilience, and improves our products and customer experience.

For our business to thrive and grow we know we must give our customers confidence that their homes are designed and built to meet the challenges of the future. To do this, we must protect and enhance the things upon which our business relies – our people, the communities and natural environment in which we operate, our partners, and the planet. Collectively, that means doing business sustainably.

This year we have implemented new sustainability governance processes to ensure that we have the appropriate level of scrutiny and accountability to address the major transformations required.

### Refreshing our Sustainability Framework

As climate change impacts have become more apparent and science-based deadlines universally accepted, this has accelerated a renewed commitment to environmental legislation from the UK explicitly linked to 'green growth' with a strong emphasis on housing, alongside a sharp focus on the social and economic consequences of the COVID-19 pandemic.

We have refreshed and expanded our Sustainability Framework to incorporate new challenges and move to more stretching targets.

Our Building Sustainably Framework is built around three core pillars – Environment, Communities and People and is our blueprint for identifying and operationally driving the positive changes we want to make.

The Framework is informed by industry analysis, stakeholder insight and primary research, which includes recognition of best practice external standards, frameworks and indices. Seeking to build on our robust materiality process of 2019, this year we engaged directly with customers, employees, government and investors to further assess the issues that are, or will likely become, priorities in the future. We identified nine priority focus areas across our three pillars, each underpinned by ambitions, targets and delivery roadmaps.

➔ For more on [Stakeholder Engagement](#) see page 45.

A further critical driver for the refreshment of our Framework is our commitment to contribute positively to the UN Sustainable Development Goals (UN SDGs). These global aspirations represent the challenges we must meet in order for the environment and humanity to thrive. As the 2030 deadline for the UN SDGs approaches, we recognise our responsibility to respond further and faster. See our data and performance table on our website for details on how the UN SDGs inform our decision making and Framework, and how we are driving impact against nine identified priority areas.

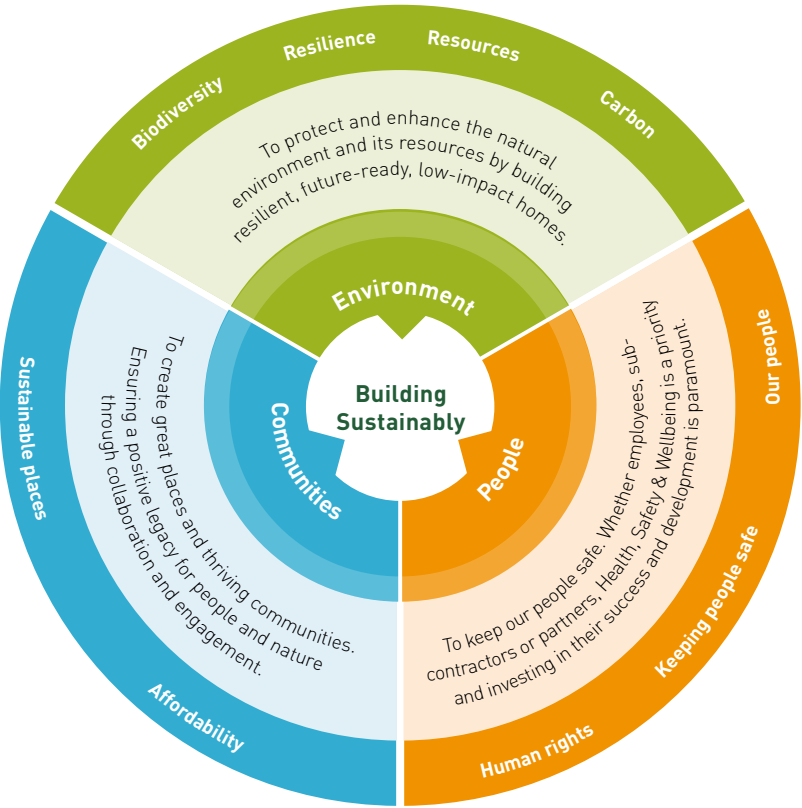
### Our sustainability performance

We are pleased to have made good progress against our previous framework and we are now focused on driving performance against our refreshed Framework; for example, our waste intensity has decreased to 5.89 tonnes per 100m<sup>2</sup> legally completed build area, following an increase from 6.53 in 2019 to 7.70 in 2020, as a result of the strategic interventions made (see page 29).

We have a clear process from issue identification to operational delivery across each of our Framework pillars and their corresponding priority issues. This allows us to have robust workstreams, which inform our implementation plans, and clear accountabilities across each stage.

We regularly track performance against each target, reporting monthly to an ESG Steering Committee, quarterly to the Executive Committee and providing a full annual update to the Board. Our 2021 LTPP will include a carbon reduction target.

In our refreshed Framework, as well as introducing new targets, we have either retained our existing targets or we have further developed them to ensure they are relevant and driving the activities we want to focus on.



### Our targets and 2021 performance

Environment		UN SDGs	
UN SDGs		UN SDGs	
Focus area	Target(s)	FY21 performance	Progress
<b>Biodiversity</b>			
Biodiversity	Demonstrate a minimum biodiversity net gain of 10% across all development designs submitted for planning by 2023.	●	<ul style="list-style-type: none"><li>We are in the final phase of a national rollout programme, to embed biodiversity best practice to all regions and to drive delivery of our net gain KPIs.</li><li>We have committed to include hedgehog highways across our developments and we are aiming to include 2,000 swift boxes in our developments by December 2023.</li><li>We launched 'Nature on Your Doorstep' in partnership with RSPB to engage customers with digital tips and advice.</li></ul>
<b>Resources</b>			
Waste And Circular Economy	Maintain 95% diversion of construction waste from landfill. Reduce construction waste intensity to 5.67 tonnes per 100m <sup>2</sup> legally completed build area by 2025.	● ●	<ul style="list-style-type: none"><li>New waste strategy launched with enhanced monthly performance management.</li><li>New Group Waste Project Manager appointed.</li><li>Various innovative trials in partnership with suppliers e.g. single use plastic and packaging reduction projects.</li></ul>
Water	From FY22, 100% of new homes to be built to 105 lpppd consumption limit.	●	<ul style="list-style-type: none"><li>New water efficiency specification implemented 1 July 2021.</li></ul>
Modern Methods of Construction	Use offsite based products and systems in 30% of homes by 2025.	●	<ul style="list-style-type: none"><li>Offsite based products and systems used in 25% of homes.</li><li>Previous targets: 20% by 2020 – achieved 25% by 2025 – on track to exceed. We therefore refreshed the target to better capture our accelerated ambition.</li><li>Continued progress with AIMCH.</li></ul>
Deforestation	100% of timber certified for net zero deforestation*.	●	<ul style="list-style-type: none"><li>98.9% of timber purchased from FSC or PEFC certified sources: 99.9% from Group agreements, Oregon and BD Living. 93.7% from sub-contractor fencing.</li></ul>
<b>Carbon</b>			
Carbon	Reduce absolute scope 1 & 2 (operational) carbon emissions by 29% by 2025 (from 2018 levels) and to net zero by 2040. Reduce scope 3 (indirect) emissions intensity by 24% by 2030 (from 2018 levels).	● ●	<ul style="list-style-type: none"><li>Net zero transition plan developed.</li><li>Various initiatives underway to drive reductions in line with plan, including alternative fuel trials to replace diesel.</li><li>Working with 30 of our highest intensity suppliers and sub-contractors to improve accuracy of data for our scope 3 footprint.</li></ul>
Zero Carbon Homes	All new housetypes to be zero carbon from 2030.	●	<ul style="list-style-type: none"><li>Detailed delivery roadmap developed and being implemented business wide.</li><li>We are nearing completion on a zero carbon prototype home 'Z house' under construction at Salford University.</li></ul>
Renewable Energy	Ensure 100% of own electricity is on renewable tariffs by 2025.	●	<ul style="list-style-type: none"><li>72% of electricity is on Renewable Energy Guarantee of Origin (REGO) certified renewable tariffs.</li></ul>
Sustainable Travel	100% of company car fleet free of diesel and petrol cars by 2030.	●	<ul style="list-style-type: none"><li>Since the introduction of EVs and hybrids into the company fleet in September 2020, these now account for 27% of our car fleet.</li><li>Diesel and petrol cars will no longer be available from our fleet by 2026, allowing us to phase these out completely by 2030.</li></ul>

\* includes all timber procured through Group agreements, BD Living, Oregon and sub-contractor fencing.

Performance key: ● Target met ● On track ● Monitor ● Target not met

# Chief Executive's statement

CONTINUED

## Building Sustainably

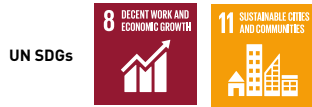
### People



Focus area	Target(s)	FY21 performance	Progress
Human Rights			
Modern Slavery	Maintain our status as a Living Wage Employer.	✔	<ul style="list-style-type: none"><li>Active engagement with the Living Wage Foundation.</li><li>Supplier and sub-contractor spot checks undertaken.</li></ul>
Our People			
Attracting, Inspiring and Retaining People	Aim to limit employee turnover to 15% or less.	✔	<ul style="list-style-type: none"><li>Group Head of Talent represents the housebuilding sector on two workstreams of the Green Jobs Taskforce.</li><li>Training dipped to 3.9 days this year, and 6.8% of the workforce were on trainee programmes, both negatively impacted by COVID-19.</li><li>Recruitment undertaken for a new degree apprenticeship in Residential Technical Design and Management.</li><li>The engagement survey has been deferred to October 2021 to capture feedback on hybrid working.</li><li>Signatory of the Social Mobility Pledge, partnering with a former Secretary of State for Education to launch a new social mobility action plan.</li><li>127 delegates involved in the Armed Forces Transition Programme.</li><li>23% of apprentices recruited from the most deprived areas of the country.</li></ul>
	Maintain an average of 4.0 training days per employee per year and 7% of workforce in a graduate, apprenticeship or trainee role.	●	
	Maintain upper quartile UK FTSE performance in our engagement survey.	●	
	Continued support for disadvantaged groups (ex-offenders, special needs and disabled) and for young people.	✔	
Diversity and Inclusion	Increase ethnic minority employees by 10% and ethnic minority senior employees by 5%, by the end of 2021.	●	<ul style="list-style-type: none"><li>Continued to drive key elements of our ethnic minority strategy as well as our diversity and inclusion programmes across the business, such as our Catalyst programme for female leaders and reciprocal mentoring programme.</li><li>Internal employee networks have been set up including an LGBTQ+ network, and networks to promote social links during the pandemic.</li></ul>
	Increase female employees to 34% overall and to 30% in management grades, by the end 2021.	●	
	Fulfil commitment to the FTSE 100 '30% Club' target of a minimum of 30% women on our Board.	✔	
Keeping People Safe			
Health and Safety	Maintain Injury Incident Rate (IIR) at the level recorded in 2015 (381 or less per 100,000 employees including sub- contractors).	●	<ul style="list-style-type: none"><li>Action plan in place to improve performance (see page 15).</li><li>Continued employee benefits including health screening, private medical insurance, health and wellbeing services, gym membership and dental plans.</li></ul>
	Continually reduce sickness absence below the industry benchmark as defined by XpertHR.	●	
Mental Health and Wellbeing	To provide leading health and wellbeing programmes to our workforce.	✔	<ul style="list-style-type: none"><li>Signed up to the Building Mental Health Charter.</li><li>Flexible and bespoke support for colleagues during the pandemic.</li><li>Successfully piloted online virtual training for Mental Health First Aiders. There are now over 100 across the Group.</li><li>Promoted the Construction Industry Helpline alongside our all employee assistance programme.</li></ul>

Performance key: Target met On track Monitor Target not met

### Communities



Focus area	Target(s)	FY21 performance	Progress
Sustainable Places			
Placemaking	All completed developments designed to Great Places Silver Standard or better.	●	<ul style="list-style-type: none"><li>93% completed developments Great Places Silver.</li><li>Health and wellbeing integrated into Great Places placemaking design guide.</li></ul>
Sales and Marketing	Eliminate single use plastics from sales and marketing merchandising by December 2021.	●	<ul style="list-style-type: none"><li>Significant progress in eliminating single use plastics in sales and marketing merchandising, removing items such as balloons and stocking items such as bioplastic pens.</li></ul>
Affordability			
Unlocking Green Lending And Finance	Work with lenders and government to unlock green mortgages for customers to purchase our homes and explore the potential of new green finance products for our business.	●	<ul style="list-style-type: none"><li>Increased engagement and traction on green mortgages with lenders and industry experts.</li></ul>

### Climate change

Climate change poses multiple risks for our industry, ranging from severe weather disruption to construction, to the impact of shifting climate patterns on supply chain security and availability of land. However, the growing demand for low-carbon homes and the societal imperative for leadership on climate change mitigation also provide strong opportunities for our business. Together these risks and opportunities make climate change a key business priority for which we have stretching targets. We were the first national housebuilder to set science-based targets and we are proud to be a signatory of the United Nations Race to Zero campaign.

➔ For more information on [How we are addressing these risks and exploring opportunities](#) see page 65.

For our emission reporting this year we have chosen to switch from the financial to the operational control method and have restated our historic emissions accordingly (see page 173). We believe this model to be a truer reflection of our direct emissions and whilst the change has increased our 2018 baseline by c.10%, our percentage reduction targets remain the same. In relation to FY21 our market based emission intensity measure has remained flat (1.78 tonnes CO<sub>2</sub>e/100m<sup>2</sup>), which is due to absolute emissions increasing in line with business growth. Whilst positively we have seen reductions in emissions from vehicles and as a result of switching to renewable energy tariffs, these gains have been offset by natural fluctuations in diesel emissions arising from weather and increased site activities. We anticipate our absolute emissions will reduce significantly in the next two years as reduction initiatives take effect.

Greenhouse gas emissions			2021	2020	2019	2018
Scope 1		tCO <sub>2</sub> e	26,769	20,323	27,169	27,577
Scope 2	Market based	tCO <sub>2</sub> e	2,496	1,640	3,413	5,080
	Location based	tCO <sub>2</sub> e	5,973	4,260	5,162	6,716
Total gross scope 1 & scope 2 emissions	Market based	tCO <sub>2</sub> e	29,265	21,963	30,582	32,657
	Location based	tCO <sub>2</sub> e	32,742	24,583	32,331	34,293
Scope 1 and 2 energy consumption		MWh	141,945	102,966	127,434	127,496
Carbon intensity (scope 1 and 2 emissions per 100m <sup>2</sup> of legally completed build area)	Market based	tCO <sub>2</sub> e/100m <sup>2</sup>	1.78	1.80	1.78	1.90
	Location based	tCO <sub>2</sub> e/100m <sup>2</sup>	1.99	2.02	1.89	1.99
Category 1: Purchased goods & services		tCO <sub>2</sub> e	1,983,082	2,020,341	2,305,017	2,421,559
Category 11: Use of sold products		tCO <sub>2</sub> e	1,352,982	930,797	1,311,087	1,273,346
Other scope 3 emissions		tCO <sub>2</sub> e	148,189	177,919	217,907	160,785
Total gross scope 3 emissions		tCO <sub>2</sub> e	3,484,253	3,129,057	3,834,011	3,855,690
Total gross scope 1, 2 & 3 emissions	Market based	tCO <sub>2</sub> e	3,513,518	3,151,020	3,864,593	3,888,347
	Location based	tCO <sub>2</sub> e	3,516,995	3,153,640	3,866,342	3,889,983

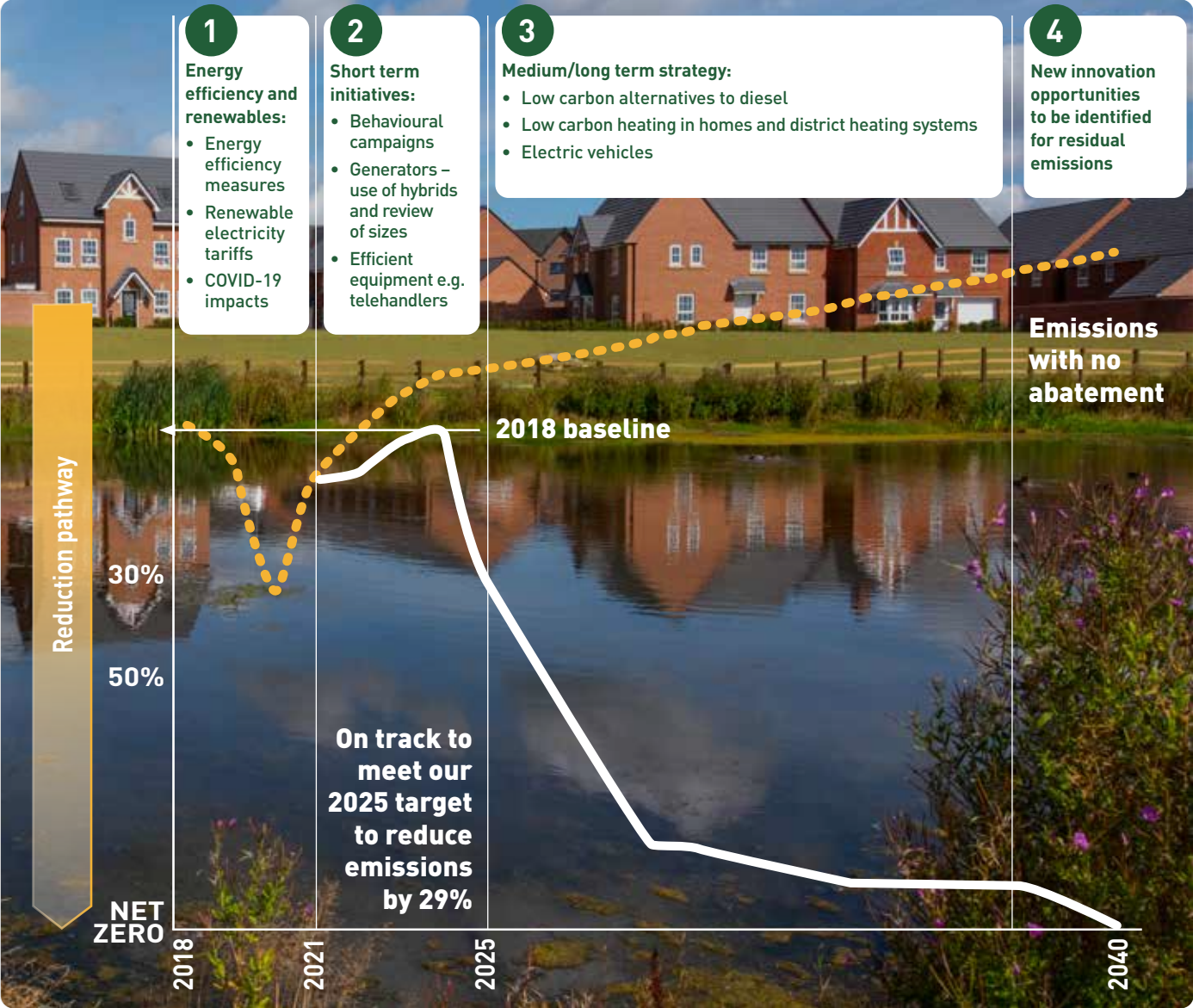
Scope 1, 2 and 3 GHG emissions have been measured in accordance with the operational control method of the GHG Protocol. All scope 1 and 2 GHG emissions arise in the UK. Emission factors come from BEIS 'UK Government Conversion Factors for Company Reporting 2020'. Scope 1, 2 and selected scope 3 GHG emissions (business travel: 2,980 tCO<sub>2</sub>e; fuel & energy related activities: 6,176 tCO<sub>2</sub>e; and use of sold products: 1,352,982 tCO<sub>2</sub>e) have limited independent assurance to the ISAE 3000 (revised) standard. Comparative figures have been restated. See page 173 for detail. For a copy of the Independent Assurance Statement, our full Carbon Reporting Methodology Statement and a full breakdown of scope 3 GHG emissions, see our website [www.barrattddevelopments.co.uk](#).



# Chief Executive's statement CONTINUED

## Building Sustainably

Scope 1 & 2 Net Zero Transition Plan



### Net Zero Transition Plan

Our transition to net zero in our own operations (scope 1 and 2) is focused on achieving our two challenging targets – an SBTi 1.5°C-aligned reduction of 29% by 2025 and net zero in our own operations by 2040.

We already have a number of energy reduction initiatives in place to further our progress towards this, including the use of LED lighting and energy efficient Stage V engines, trialling hybrid solar generators and the correct sizing of generators.

Working collaboratively across the business we have undertaken a comprehensive review of initiatives to accelerate carbon reduction for our next phase, such as reducing the use of diesel and switching to renewable electricity. We are confident of meeting these targets having started the implementation of multiple initiatives, and we expect to see them making a positive impact on our performance in the next two years.

We continue to analyse all other emissions across our value chain as we progress on our journey, so that we can drive the initiatives that will have a meaningful impact on our scope 3 targets. For more on how we are assessing climate risks see pages 65 to 66.

### Value chain emissions

Value chain (scope 3) emissions account for 99% of our total carbon footprint. Our SBTi-aligned commitment is to reduce scope 3 emissions per square metre of homes completed by 24% by 2030. We have achieved a 5% reduction against our 2018 baseline.

Around 40% of these emissions arise from ‘our homes in use’ – the electricity and

heating our customers use while living in our homes. This is an area of increasing regulation, with clear Government targets for emission reductions detailed in the Future Homes Standard. Our commitments for carbon reductions here will be achieved through fabric efficiency, energy efficient equipment and the use of renewables and alternative heating technologies where possible (see Leading Construction on page 28).

The remaining c.60% of our emissions come from our supply chain – the complex ground preparation activities that allow us to build and the materials and sub-contractors used during construction. This year we have engaged with 30 of our highest emitting suppliers and sub-contractors to better understand our scope 3 emissions by calculating more specific emission values. A priority has been to better understand our carbon exposure and we have been working closely with third party experts to review the application of our spend-based emissions factors, and to analyse the emission reduction plans of each key category in our value chain. These activities will be used to inform our wider reduction strategy and roadmap.

### Standards, frameworks, benchmarks and indices

Transparency is a key enabler of our Building Sustainably Framework. We are committed to continuously enhancing our disclosures to meet changing stakeholder needs. That means continuing to align to best practice frameworks, standards and indices.

Many of the sustainability priorities for our business and our Building Sustainably Framework are driven by the UN SDGs.

We continue to progress on our journey to achieve full compliance with the recommendations of the TCFD (more details on our progress and plans are detailed on page 66); and have also begun to report against the SASB criteria. For more information see our website: [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk).

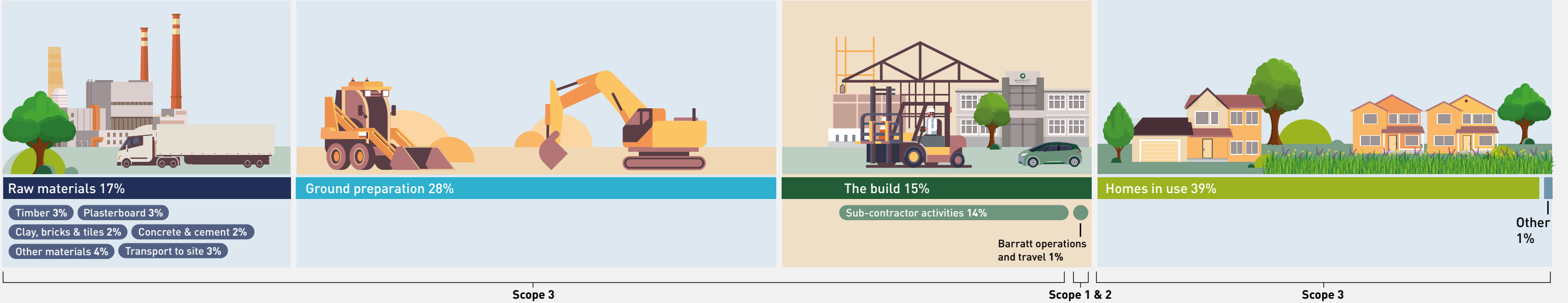
Further, in July 2021 we became a signatory of the UN Global Compact, reflecting our ongoing commitment to the initiative and its Ten Principles for Corporate Sustainability.

We are assessed on a number of key sustainability benchmarks and indices and have been awarded a series of accreditations recognising our industry-leading sustainability performance. Reflecting our leadership status within the FTSE100 we were ranked 11th in April 2021 by the Responsibility 100 Index developed by Tortoise, which importantly evaluates businesses on sustainability actions, as well as commitments. Further, we continue to retain our membership of FTSE4Good.

In 2020 we achieved our highest scores for the CDP in Climate, scoring A-; Water, scoring B- and Forests (in relation to timber sourcing), scoring B-. We were the only housebuilder this year to have improved its score from the previous year in all three disclosure categories. For the NextGeneration sustainability benchmark, we were the highest scoring national housebuilder.

You can find more information on all our inputs to our most material benchmarks and indices on the website: [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk)

### Our value chain emissions





Strategic priorities: Customer first

Strategic priority

- We deliver customer satisfaction through building high quality homes and creating a positive customer experience throughout the home buying process.
- We monitor our customers’ evolving needs and aspirations through continuous customer feedback and surveys and use this to continually improve the homes and places we build.

Our objectives and value creation

Short term – 1 year

We will replace our CRM system and deliver an online portal for our customers.

**This will further improve our customer service by providing easier access to documentation and customer care.**

Medium term – up to 3 years

We plan to develop content for customers allowing access to regulated mortgage help direct from our website.

**This will provide easier access to clear, regulated information on the appropriate finance for them.**

Medium term – up to 3 years

We will also work with the HBF on the launch of the New Homes Ombudsman and supporting Consumer Code.

**This will provide further confidence in our sales process, the quality of our homes and our customer care.**

Long term – 3+ years

We will continue to work with mortgage lenders and the Government to develop green mortgages that recognise the lifetime ownership savings our energy efficient homes provide for customers.

**This will lead to lower mortgage interest rates or enhanced mortgage lending terms.**

Progress

Customer service

We have an absolute commitment to quality and customer service. Throughout the year we have continued to drive improvements to the customer journey and have adapted our processes to protect and support our customers as a result of the pandemic.

We are the only major housebuilder to have been awarded the maximum 5 Star rating by our customers in the HBF customer satisfaction survey for 12 consecutive years, with a customer satisfaction rating above 90%.

In December 2020, we were named ‘Large Housebuilder of the Year’ at The Housebuilder Awards 2020. This is the second consecutive year we have won this award and the third time we have secured this title in the last five years.

**A long term investment**

We have made a significant investment over many years in our processes and procedures to support excellent customer service. Every aspect of a customer’s journey is continually re-appraised to enhance customer service, including

the customer’s experience from the first visit to our website and sales centres, their interactions with our sales teams throughout the process, and the efficient follow up and rectification of any issues by our Customer Care team after moving into their new home.

Visits to sales centres and physical viewings throughout the year were by appointment only with one household visiting a property at a time. We are signatories to the Government and industry Charter for Safe Working Practice – COVID-19, which supports the adoption of best practice across the industry.

We are committed to acting on our customers’ feedback and driving improvements to enhance the customer experience. Our people are key to our success and we continue to invest in training and development programmes to ensure they remain best in class.

**Effective communication using technology**

We understand buying a home is a big decision and customers need timely and

relevant communications throughout the process. One of the main channels of communication and marketing is our website, which provides interactive site plans across all device types. These enable customers to see real time plot availability across their chosen development.

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

**Customer care**

Our Customer Care teams, after significant restrictions on their activities during the initial national lockdown and some additional restrictions during the year, have worked tirelessly to deal with outstanding after-sales issues through a phased and prioritised approach, while adopting enhanced precautions to enable social distancing.

**Homes that address customer needs and lifestyles**

We understand the importance of building homes that are right for our customers’ needs and lifestyle choices. These can change over time and our home designs will continue to evolve. We expect the ability to work from home will become more important for a large number of our customers, so we will demonstrate how workstations can be incorporated into those housetypes within our core range that do not include a separate work area.

Our commitment to design and placemaking also includes an increasing awareness of the wellbeing of our customers. We expect access to private external and communal green spaces as well as access to walking and cycling will be even more desirable for customers going forward. This fits well with our long term focus on these areas across all of our developments.

**Energy efficiency reduces whole life costs and improves sustainability**

We are continually striving to improve the energy efficiency and sustainability of our homes and are adapting our home designs in response to the Future Homes Standard and other changes to Building Regulations. We aim to build high quality homes that optimise internal space and deliver excellent energy efficiency, resulting in lower lifetime costs for our customers. In 2021 99% of our home completions were EPC rated ‘B’ or above (2020: 99%), a level of energy efficiency shared by just 3.1% of the existing housing stock. We are also installing smart meters on an increasing number of our properties to help customers control and understand their energy and water usage.

**Mortgage advice and accessibility**

Most of our customers require advice on mortgages and financial assistance, which they can obtain through our network of independent mortgage advisers.

To provide a seamless and efficient service, we have an online mortgage advice service via a regulated third party to support our customers. We are continuing trials of a regulated ‘decision in principle’ functionality through this channel.

We have increased engagement with lenders and third party experts regarding green mortgages to ensure more customers can have the cost savings created by our energy efficient homes considered in their mortgage applications.

Reflecting the challenge of higher LTV mortgage availability for many home buyers we are continuing dialogue with lenders and also looking at new mortgage market developments to identify how we can help ensure mortgage availability improves for our customers.

**Supporting the NHS and our Armed Forces**

Following its launch in May 2020, we were delighted by the take up of our ‘Big Barratt NHS Thank You’ scheme which, following its initial success, was extended through to June 2021. The scheme, put together to show our gratitude to all NHS employees working hard to look after people through the pandemic, provided a 5% deposit up to £15,000 to help NHS employees buy any new Barratt or David Wilson home. Over the life of the scheme 1,943 NHS employees took advantage of the offer, with the Group funding over £22.8m of deposit contributions.

We are proud to have signed the Armed Forces Covenant and have a Deposit Contribution Scheme to help Armed Forces personnel onto the housing ladder. This scheme is available to all UK Armed Forces personnel and offers a 5% deposit contribution, up to £15,000, toward our homes.

- Key material issues**
- Effective customer communication and service.
  - Development and training of our employees.
  - Lifetime performance of the homes we build.
  - Housing affordability.

**KPIs**

**Customer satisfaction**

**HBF 5 Star**

(2020: HBF 5 Star)

**Why we measure**

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

**Risks** A H I J K L

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

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

➔ For more on **Principal Risks** see page 58.

↓ Priti and Akshay Vilankar enjoying their new apartment in Hounslow, London





Strategic priorities: Great places

Strategic priority

- We build long term relationships to secure attractive land opportunities where people aspire to live.
- Through great design and planning expertise, we aim to create sustainable homes and developments for our customers, where they can create thriving communities with a positive environmental legacy.



David Wilson Homes at our Cane Hill Park site in Coulsdon

Our objectives and value creation

Short term – 1 year

We aim to secure 18,000 to 20,000 high-quality land bank plots across the country through our disciplined approval process.

This will enable business growth whilst creating value for stakeholders through Great Places development design, biodiversity net gain on all new sites, appropriate usage of MMC and continually refining our housetype range.

Medium term – up to 3 years

We will continue to refine our housetypes to meet changing customer demands, planning and building regulations.

This will add value through continued customer demand for our quality homes and develop ongoing relationships with landowners, planning authorities and other stakeholders.

Long term – 3+ years

Our focus remains on leading the development of sustainable places that satisfy the country’s need for more housing whilst also creating a positive economic, social and environmental legacy.

This will add value by creating the homes needed by our customers, whilst also creating local economic growth, enhancing local communities and creating a positive impact on the environment in and around the Great Places we create.

Progress

Land bank

We build homes in locations where our customers want to live, with good access to open space and amenities, transport connections, schools and workplaces. Our specialised divisional land teams possess extensive local knowledge and strong relationships with landowners. This, combined with detailed research into local market conditions, means we can secure land in locations of strong customer demand.

Bringing land through the planning system and into production is the foundation of our future operational and financial performance. The NPPF, published in July 2018, continues to provide the framework for the planning system to deliver a sustainable supply of consented sites.

Throughout the last year, we have focused on optimising our existing land bank through replanning to deliver more efficient use of space and attractive street scenes for our customers, whilst delivering additional outlets for our business

from further dual branding. We have also reviewed our housetype designs in response to changing market trends and customer feedback.

Despite the continuing challenges posed by COVID-19 related restrictions, periods of lockdown and resource constraints on many local planning departments, we have maintained good momentum in securing planning consents. During the year we achieved planning on 14,280 plots (2020: 14,768 plots; 2019: 18,280 plots). We have detailed or outline planning permission on all of our FY22 expected home completions and 95.5% of expected home completions for FY23.

Continually evolving housetype design

We have a standard housetype range for both our Barratt and David Wilson Homes brands, with the most popular and build-efficient housetypes making up our core ranges. We continuously review, consolidate and evolve our housetypes in response to customer, sales and construction

feedback, as well as design input reflecting both future legislative changes and our own targets, and to ensure that our new standard housetype designs will be net zero carbon in use from 2030.

Our Group Design and Technical Team are developing plans to ensure our housetypes meet the Future Homes Standard and legislative requirements in England in 2023 and 2025, when our homes will be required to deliver initially 31% and subsequently 75-80% emission reductions relative to current standards. We are also focused on meeting the different legislative requirements in Scotland and Wales.

Our housetype evolution also seeks to ensure evolving designs can be constructed in either traditional or timber frame format, recognising the advantages of MMC.

Our standard housetype ranges comprised 65.3% of homes completed in the year (2020: 60.2%; 2019: 36.4% of homes completed). Feedback from our customers continues to be positive and our build

teams and sub-contractors appreciate our housetypes because their simpler designs and footprints mean they are more efficient to build.

‘Built For Life’ – designing great places

Placemaking principles are fundamental to our business: our customers want to live in great places that create a positive legacy. Our internal ‘Great Places’ design principles are aligned to the Government-endorsed Building for Life 12 criteria. We added a new Health and Wellbeing criterion in February 2020 ahead of, and aligned, with the updated Building for a Healthy Life standard – the importance of which has since been highlighted by COVID-19. As a result, Great Places puts greater emphasis on development design to support good physical and mental health and wellbeing. We shape our developments around existing ecology, green spaces, walkways and cycle paths to encourage social interaction and a sense of ownership and appreciation of the surroundings created.

Our commitment to placemaking is reflected in our ongoing success in achieving ‘Built For Life’ accreditations; we have now achieved 96 awards, 23 of which were rated Outstanding.

Biodiversity

Biodiversity Net Gain (BNG) is an approach to development whereby a development’s biodiversity is left in a measurably better state than if the development had not taken place. We have committed to demonstrating a minimum biodiversity net gain of 10% across all development designs submitted for planning by 2023.

Our BNG plans are in place with resources and models for our land buying teams and agreed Biodiversity Net Gain Maintenance and Monitoring Plans being developed for these sites. BNG will become mandatory two years after Royal Assent of the new Environment Bill, which is now not expected

until 2023, but a number of Local Planning Authorities are already requesting proposed developments deliver a BNG as part of their planning process. We have continued to roll out our programme to achieve our BNG targets, including running regional workshops across the country to promote best practice.

We continue to develop additional biodiversity activities, benefiting from our ongoing partnership with the RSPB. Notable projects include our continued installation of swift bricks in the ten ‘Swift Cities’ identified as having experienced the sharpest decline in swift populations, and the mandating of hedgehog highways on our developments.

This year also saw the launch of the RSPB partnership’s ‘Nature on your doorstep’ campaign, which encourages residents to access and share the actions they can take to support wildlife, while also conducting research into the best ways to encourage people to get involved.

Water efficiency

We recognise that water efficiency is an increasingly important area. We must mitigate against future risk of geographical water scarcity and flooding through increasing water efficiency in our homes to complement our use of SUDS.

Following collaborative work with a water utility company in 2020 we are developing benchmarks and targets for the water efficiency of our homes. As well as environmental benefits, improving water efficiency has the potential to create infrastructure credits, reducing water connection charges across our future developments. From summer 2021 all new homes will be built ahead of legislation to a target of 105 lpppd.

Key material issues

- Securing land to support future growth.
- Housetype evolution to meet changing customer demands.
- Lifetime environmental performance of the homes we build.
- Biodiversity gain on development activity.

KPIs Owned and controlled land bank

4.7 years

(2020 – 6.7 years)

Why we measure

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

Net land approvals (plots)

18,067

(2020 – 9,441)

Why we measure

- Monitors the intake of land for purchase to support future growth.

Risks B C H I J K L

The inability to secure sufficient consented land and strategic land options at appropriate cost and quality would affect our ability to provide attractive developments that address the housing shortage. Changes to the regulatory environment could affect our ability to achieve our medium term targets.

For more on Principal Risks see page 58.



Strategic priorities: Leading construction

Strategic priority

- We deliver the highest quality homes by focusing on excellence across all aspects of construction.
- We continue to work with our supply chain partners to develop MMC at scale.
- Our construction processes, in collaboration with our supply chain partners, are key to our sustainability targets.

Our objectives and value creation

Short term – 1 year

We will focus on a further increase in construction activity to deliver additional output in line with our completions target for FY22, whilst ensuring our industry leading standards around build quality are maintained and our waste intensity is reduced.

This will add value through delivering additional high quality homes for our customers, providing incremental revenue and profitability for our shareholders and reduce the waste impact on the environment from the homes we build.

Medium term – 3 to 5 years

We will accelerate our roll out of MMC to deliver 30% of completions from MMC by 2025.

This will add value by helping to mitigate ongoing skilled labour supply constraints, shorten build times improving capital efficiency, accelerate our waste intensity reduction and, through the use of low embodied carbon building materials, reduce the embodied carbon in the homes we build.

Long term – 5+ years

Our objective is to deliver zero carbon homes in use from 2030 and to be a net zero greenhouse gas emissions business covering all our direct operations by 2040.

This will add value through the lower lifetime costs for our customers, deliver a significant contribution to society and the environment, and ensure long term value creation for our shareholders.

Progress

Build recovery

At the start of the financial year we were re-starting construction operations on sites across the country following the initial national lockdown. It is a testament to the strength and commitment of our construction teams and our sub-contractors, many of whom have worked with us for many years, as well as our supply chain partners, that we have successfully rebuilt our construction activity. As a result construction activity in the year was slightly ahead of planned output, with an average of 311 (2020: 274; 2019: 361) equivalent homes, including JVs, constructed each week.

Build quality

Our long standing commitment to quality has proved itself over the year, with our construction teams successfully delivering both the activity rebuild and improved construction quality scoring from the NHBC that continues to lead the industry.

Through 2021 our sites on average achieved 0.12 reportable items (RIs) per NHBC inspection, which is the lowest of all major housebuilders (those who build more than 1,000 homes annually).

Site management excellence recognised for a record 17th year

Our long term focus on quality and site management was again demonstrated by our success in the NHBC Pride in the Job Awards, which recognise site managers who achieve the highest standards in housebuilding across the UK. In February 2021, our site managers secured both the Supreme Award and runner-up in the Larger Builder category. This is the second consecutive year that our site managers have secured the Supreme Award and the fifth time in the last six years highlighting the long term commitment of our site management teams to deliver excellent build quality on safe and efficient sites across the country.

In June 2021, our site managers won 93 awards (2020: 92), more than any other housebuilder for 17 consecutive years.

This achievement demonstrates the high standard of work that our site managers and their teams deliver, and reinforces to our customers the quality of our product.

All our sites are externally certified to Environmental Management System standard ISO 14001 and Health and Safety standard OHSAS 18001.

Innovation

During the year, we delivered 4,393 homes using MMC equating to 25% of our total home completions (2020: 2,652 homes and 21% of total home completions).

MMC provides opportunities to address the skills shortage facing the industry, diversify the types of materials we use and build with greater speed and efficiency. We have experience of over 100 sites where we have applied one or more MMC solutions. This accumulation of knowledge and experience has allowed us to define the criteria needed to unlock the benefits of MMC and deliver a successful site in terms of build efficiency and sales.

As a result, we are now able to use MMC on the right sites to compete with traditional brick and block construction, mainly due to the time savings we have been able to obtain. The table below details the various MMC used during the year.

MMC	FY21	FY20
Timber frame	3,003	2,031
Roof cassettes	696	269
Offsite ground floors	360	143
Large format block	334	209
Total*	4,393	2,652
Percentage of completions*	25%	21%

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

A key aspect of our MMC and carbon reduction strategy is the delivery of timber frame homes. Timber frames are factory assembled to high standards, and provide a low carbon cost method of construction with low levels of embodied carbon. Our core English houstypes have been designed to use timber frames and we delivered 1,638 (2020: 469) timber frames from Oregon, our timber frame manufacturer, to our sites this year.

Reflecting the excellent progress made towards our previous target of 25% of completions using MMC by 2025 and our understanding and confidence developed since acquiring Oregon in 2019, we have increased our target for completions using MMC to 30% by 2025. We recognise that there remains more research to be done in exploring the advantages of MMC, in terms of design, construction, and use through the whole life of a building. We are partners in the AIMCH project, jointly funded by Innovate UK and the private sector to identify, develop and expand new housebuilding technology.

We recognise it is critical that the whole sector takes on MMC and delivers robust solutions, and the importance of knowledge sharing. We continue to invest in research and development into new housebuilding technology, including in part to meet the challenge of climate change.

Zero carbon homes in use by 2030

This year we have established a roadmap for delivery of zero carbon homes in use from 2030, ensuring design changes and technologies can be tested. We are building a zero carbon home in conjunction with the University of Salford – the ‘Z house’ which incorporates biodiversity, water efficiency and zero carbon design elements and will enable us to monitor the home in use.

We have been working with the HBF Future Homes Task Force to communicate the key challenges to the delivery of these ambitions, as set out in stakeholder engagement on pages 45 to 55, including the time needed for supply chains and skills development to adapt to these new technologies.

For more on our entire value chain carbon emissions and transition plans see pages 10 to 11.

Waste management

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

To ensure that resource efficiency and waste management are prioritised, enabling us to meet our 2025 target of a reduction in waste intensity to 5.67 tonnes per 100m² legally completed build area, management annual bonus incentives in FY22 will incorporate waste intensity reduction targets.

Our current areas of focus are improving on-site monitoring, plasterboard sizing, reuse and recycling schemes and supplier working groups. We have also rolled out and embedded an enhanced monthly reporting pack to monitor performance and, in March 2021, we appointed a dedicated Waste Project Manager.

As a result of these measures, our waste intensity improved by 23.5% to 5.89 tonnes per 100m² of legally completed build area (2020: 7.70 tonnes per 100m² legally completed build area). In the year our absolute waste tonnage increased by 2.7% (2020: decreased by 16%) reflecting the increased level of build activity.

We continue to emphasise efficient use of skips and segregation of waste. However, due to a change in how we collect data, our diversion of waste from landfill decreased during the year to 95% (2020: 96%).

In 2021 more than 1,620 tonnes of timber were reused or recycled through the Community Wood Recycling social enterprise. In addition we recycled over 10,000 (2020: over 9,000) paint tins across all our sites.

We have also seen positive outcomes from collaboration with our supply chain to eliminate single use plastics and maximise resources. We no longer dispose of timber joists used for stairwell protection during the build process. We also no longer wrap timber I-beams in plastic during the summer months, and we are conducting

a trial to reduce the use of shrink-wrap on bricks, by either removing it or using it only as a “top” cover to avoid rain damage.

We are collaborating with other housebuilders to research packaging waste at its manufacturing and supply source and to establish a baseline across our supply chain, in partnership with Zero Waste Scotland and Valpak.

Key material issues

- Health and safety across our operations.
- Build quality monitoring.
- Reducing the carbon emissions from our construction activities.
- Reducing waste created by our operations.

KPIs Total home completions

17,243 homes

(2020: 12,604 homes)

Why we measure

- To monitor activity and growth in the business.
- A benchmark by which business capacity is monitored.

Waste intensity

5.89 tonnes per 100sq.m. of build

(2020: 7.70)

Why we measure

- To use materials as efficiently as possible in the construction process.
- To improve both operating efficiency and financial performance.

Risks D E H I J K L

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

For more on Principal Risks see page 58.



Strategic priorities: Investing in our people

Strategic priority

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



Members of our London construction team assembled at our Upton Gardens site.

Our objectives and value creation

Short term – 1 year

We will focus on retaining and attracting the best people through our enhanced benefits packages, our plans on returning to our offices and new ways of working, as well as through enhanced training and development initiatives, in combination with an increased focus on employee wellbeing.

**This will add value by limiting staff turnover, attracting new employees to our business and ensuring that our employees feel valued and motivated to deliver excellent build quality and customer service.**

Medium term – up to 3 years

We will focus on our recruitment programmes to broaden our talent pipelines and bring greater diversity and inclusion to our recruitment processes and our workforce.

**This will help our business to engage and recruit the best employees, including those from less socially mobile segments of the population, addressing the skills shortage, which is a key constraint on the business.**

Long term – 3+ years

Our focus remains on ensuring our business is representative of the communities in which we operate. Our programmes around remuneration, benefits, wellbeing, diversity and inclusion, complemented by training and development, can attract employees and help address the skills shortage in our industry.

**This will enable us to grow volumes in line with our medium term targets, creating opportunities for advancement throughout our workforce and create long term value for shareholders.**

Progress

Our continued success is achieved through the hard work and dedication of our employees. We aim to attract and retain the best people by engaging with our employees, promoting their wellbeing, investing in their development, recognising their dedication, and ensuring our employee packages are effective and competitive. We are committed to becoming more diverse and inclusive as we believe this will create a stronger, more dynamic business, is better for our customers and makes us a more attractive employer.

The development and training of employees

We are playing our part to address the industry skills shortage and reduce its impact on our business. We have a number of award winning and well-established development programmes and plans to expand these significantly through 2021 and 2022.

In total we have developed or are developing 127 (2020: 100) delegates through our Armed Forces transition programme, with 27 (2020: 30) currently enrolled. The skills developed in the Armed Forces translate well to site management, and the scheme has brought a large number of high calibre individuals into our business.

In January 2020 we launched our Higher and Degree Apprenticeships in both Residential Construction and Quantity Surveying, which complements our existing Residential Construction and Commercial degrees at Sheffield Hallam University. This includes on the job training to ensure their academic learning is applied in their roles, a work based learning coach who guides them through the programme, and support in working towards professional accreditation. Following the success of the Higher and Degree Apprenticeships, we are now working with Sheffield Hallam

University to develop a similar qualification for our Technical departments, supporting individuals who are looking for a career in technical design or project management.

Our programmes for bricklaying and carpentry apprentices enable participants to achieve apprenticeship level within a reduced timeframe while maintaining the same high standards. Our schemes focus on bringing new talent to the industry and on retaining it for the future. To date, 184 apprentices (2020: 119) have attended and 174 apprentices (2020: 112) are due to complete the course in FY22. We currently employ 426 apprentices, graduates and trainees (2020: 492), around 7% (2020: 7%) of our workforce. Apprenticeships remain a vital route to develop skilled tradespeople for our industry and 124 (2020: 57) have been recruited in FY21 for our FY22 intake.

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

Our Head of Talent Management led on two workstreams within the Government’s Green Jobs Taskforce, which was chaired by the Minister for Business, Energy and Green Growth and the Parliamentary Under Secretary of State for Apprenticeships and Skills. The Taskforce sought to identify how to grow green jobs across the economy and take advantage of the opportunities created by decarbonisation.

We also address the skills shortage and prepare for the future by developing our people across all aspects of the business. Our MyLearning Mobile App, provides colleagues with even more flexibility and choice in how they access and consume learning content with more than 1,500 additional learning modules added in the year.

We want to support our leaders and managers of the future and effective succession planning is an important element in our long term success. In 2021, 270 (2020: 227) high potential employees have attended or are attending our Rising Stars programme.

We achieved 3.9 training days on average per employee (2020: 4.1 days) just below our target of over 4.0 average days training days per employee. Our training activity has been constrained by limited classroom-based training throughout the year, reflecting lockdown restrictions and social distancing limitations. In FY22 we are moving training to an 80:20 online: classroom model to provide enhanced training access for our employees.

How we recruit and retain the best talent

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

We engage with our future workforce through our work with schools, national apprenticeship bodies, universities and Armed Forces resettlement organisations. This includes getting involved with campus activities, attendance at careers fairs and employer led events with an increasing focus on virtual events.

In October 2020, Barratt also became a signatory of the Social Mobility Pledge, partnering with the former Secretary of State for Education, Rt Hon Justine Greening, to launch a new social mobility plan which will ensure more people are able to progress in careers, unhindered by their background or lack of industry connections.

For our 2021 recruitment, 23% (2020: 25%) of our apprentices were recruited from the most deprived areas according to the Index for Multiple Deprivation. Our Construction and Sales Academy programmes develop talent within our business and we continue to work with the Home Building Skills Partnership.

In response to ongoing engagement survey feedback we are working to improve the visibility of career paths in all functions with individual development plans and the proactive prioritising and tracking of internal promotions.

Remuneration and benefits are an important element of employee retention. We continue to review our employee packages to ensure they are effective and competitive.

Growing employee equity participation in our business

In April 2021, we invited all eligible employees to participate in the 13th grant under the Group’s Sharesave scheme, which allows eligible employees to contribute a maximum of £500 per month in one or a combination of Sharesave schemes. At 30 June 2021, approximately 50% of employees participated in one or more of the active Sharesave schemes, compared to 51% as at 30 June 2020.

We believe it is important that we recognise our colleagues’ commitment, particularly after the challenges faced over the last year, and that we share the success of the business with the people who make it possible. Reflecting this success and to mark the milestone of completing our 500,000th home in late 2020, an award of 200 shares was made to all employees below Managing Director level in the year. This is the third consecutive year that the Board has recognised our employees’ commitment and support in this way.

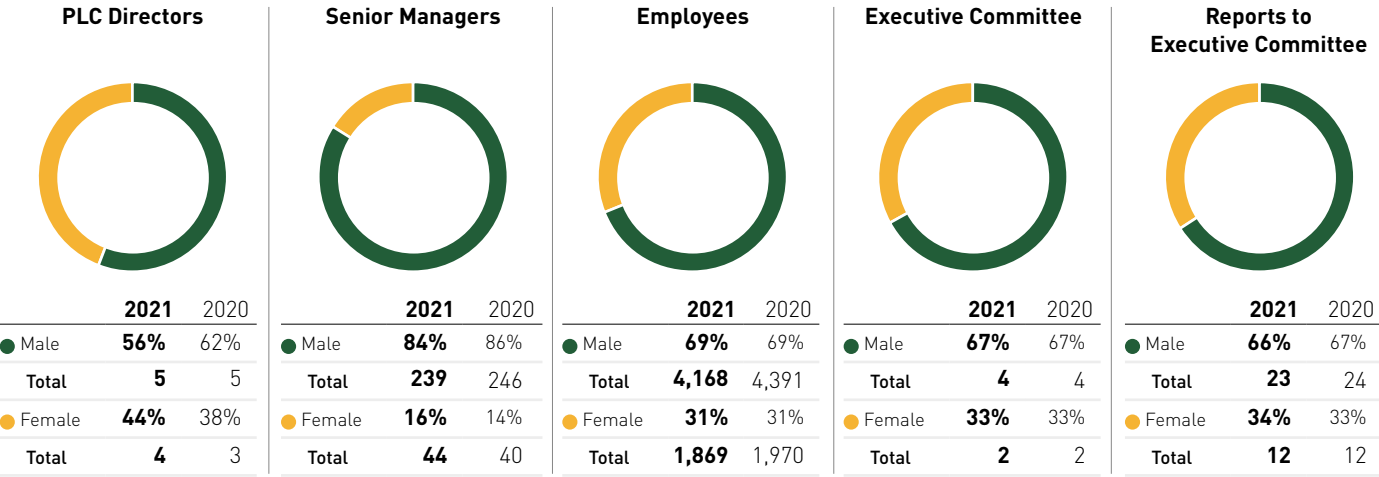
In continued recognition of the dedication, commitment and loyalty of our employees the Board has agreed that, going forward, a share award will be made on an annual basis. The total cost of the annual award, in aggregate, will not exceed 2.7% of all employee costs. Accordingly, in July 2021, an award of shares, equating to £1,250, was made to all full time employees (pro-rated for part-time employees) below Managing Director level. This award will vest in July 2023.

Despite our ongoing efforts around employee retention, our total Group employee turnover has increased to 12% for the year to 30 June 2021, (2020: 10%) however this is still below our target of 15%.



Strategic priorities: Investing in our peopleCONTINUED

Male and female employees



Employee engagement

We seek to create a great place to work, founded on an open and honest culture. To achieve this we regularly engage with our employees to understand and address their issues and concerns. Our Group employee engagement score, currently 84%, has been in the upper quartile consistently since 2014. As part of our embedded approach to engagement, all divisions and functions have proactively agreed and delivered action plans.

Our Workforce Forum, comprised of employees representing all regions and levels of our business, continues to meet and provide insight to inform our actions. We share our engagement results with the Forum and seek recommendations on all aspects of our business that impact our people.

➔ For more information, go to stakeholder engagement on pages 45 to 55.

Promoting the physical and mental wellbeing of employees

During the year, we continued to progress our health and wellbeing programmes, including health and wellbeing hubs, stress awareness training for employees and mental health awareness training to encourage openness and appropriate responses between line managers and colleagues.

Throughout the COVID-19 pandemic, a key objective has remained the health and safety of our employees, especially their physical and mental wellbeing. In 2021,

we have partnered with our benefits providers to offer training to support physical, mental and financial wellbeing. Our Talent team continue to provide regular mental wellbeing webinars.

Diversity and inclusion

We aim to create a working environment that provides equal opportunities for all. Selection for employment and promotion is based on merit, following an objective assessment of ability and experience, after giving full and fair consideration to all applications. We are also committed to ensuring that our workplaces are free from discrimination and that everyone is treated with dignity and respect. We strive to ensure that our policies and practices provide equal opportunities in respect of issues such as training, career development and promotion for all existing or potential employees, at all levels throughout the business, irrespective of age, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race and ethnicity, nationality, religion or belief, sex, and sexual orientation. We have also signed the Social Mobility Pledge, committing us to providing opportunities to people from all different backgrounds.

Every effort is made to retain and support employees who become disabled while working within the Group and we continue to remove physical barriers for disabled colleagues or applicants.

All new employees receive mandatory diversity and inclusion training as part of their induction and we have been engaging with Regional and Managing Directors around our inclusion strategy.

We have made progress in female leadership representation and continue to focus on this area. At 30 June 2021, women held 16% (2020: 14%) of senior manager roles within the Group and we have continued our focus on female leadership development with our Catalyst programme. We continue to work towards improving ethnic minority representation. At 30 June 2021, 7% (2020: 7%) of employees were from ethnic minority backgrounds and 1.5% (2020: 2.1%) of senior leadership positions were held by ethnic minority employees.

We have expanded our employee networks, having launched groups to connect parents, LGBTQ+ colleagues and allies, and a group, “Barratt Connect”, for anyone who has felt isolated or missed the social interaction of work since our offices have been closed.

We have recognised that with many more of our colleagues working effectively from home, we can embrace a greater level of flexibility and agility going forward.

More information regarding our inclusion policy and initiatives can be found on our website: <https://www.barrattcareers.co.uk/about/inclusion>.

Gender pay gap

In October 2020, we published our annual Gender Pay Gap report. This identifies that as a Group, our mean pay gap at 6.5% and our median pay gap at 0.2% are relatively low compared to the mean/median gender pay gap across the UK. This has decreased in the year due to an increase in the number of men in the lower pay quartile. Our mean bonus gap has increased slightly to 33.4%, and continues to reflect the fact that we have a higher proportion of men in more senior roles, where bonus payments make up a larger part of remuneration.

In addition there has been an increase in cashed share options in the period, with the majority of these (88%) relating to men. The median bonus gap has decreased to -1.4% in 2020, mainly because the bonus and commission paid to sales teams in the relevant 12 month period was greater than the previous 12 months. This group is predominantly female and makes up a high proportion of our female employees. We will continue to work hard to further close our gender pay gap and ensure we build a diverse, inclusive and attractive working environment for all our employees.

A “real Living Wage” employer

During the year, we maintained our Living Wage Foundation accreditation, showing our commitment to our employees by paying

an independently calculated rate of pay that is based on the actual cost of living. The real Living Wage exceeds the national living wage (set by the Government) and covers all employees aged 18 and older as well as incorporating a London weighting. Receiving this accreditation demonstrates our clear commitment to our employees as well as to our suppliers and sub-contractors.

We have also updated our standard sub-contractor terms and conditions to mandate the payment of the Living Wage within our supply chain. To support this, we have implemented spot checks by divisions on higher risk trades and put in place remediation feedback systems internally. For those working in jurisdictions other than the UK, our expectation, included within our contract requirements, is that local statutory minimum wages are paid.

Human rights and anti-bribery

Our respect for human rights underpins our strategic priorities. We have policies and procedures in place that support the core values of the United Nations Universal Declaration of Human Rights and the UN Guiding Principles of Business and Human Rights, and we act in accordance with our principles in relation to diversity and the Modern Slavery Act 2015. Concerns can be raised anonymously via our whistleblowing process, details of which can be found in the Audit Committee Report.

Our non-financial KPIs in respect of health and safety and employee engagement reflect our belief that it is a fundamental human right to work in a safe and supportive environment. Employees undertake training on modern slavery and we are rolling out diversity and inclusion training to all employees. We have a strict anti-bribery and corruption policy and conduct our business in a fair, open and transparent manner. All employees are required to undertake training under our anti-bribery and corruption policy at regular intervals.

We work closely with our partners to ensure our standards are applied to our extended workforce. We are signatories to the Gangmasters Labour Abuse Authority Construction protocol, helping us share and receive information and training materials to prevent modern slavery. It is a condition of all our supplier and sub-contractor contracts that they comply with the Bribery Act and our anti-bribery and construction policy, which is available on our website.

➔ For more information, go to Whistleblowing on page 88.

Key material issues

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

KPIs Employee engagement

84.2%\*

(2019: 84.5%)

Why we measure

- To gain insights and provide a forum for employee views.
- To retain and invest in the best people and focus on their development and success.
- Feedback from the survey drives actions and improvements and highlights that we listen to and care for our employees.

Risks F G H I J K L

The provision of a safe working environment is a fundamental priority; without looking after the health and wellbeing of our employees, they could not work with confidence. The skills shortage in our industry means it is of utmost importance to recruit and retain best-in-class people.

➔ For more on [Principal Risks](#) see page 58.

\* The engagement survey for the 2021 calendar year has been deferred to October to capture feedback on hybrid ways of working.



Current trading and outlook

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

The sales performance in the new financial year to date has been strong, with net private reservations per average week of 277 (FY21: 314; FY20: 250), resulting in net private reservations per active outlet per average week of 0.83 (FY21: 0.94; FY20: 0.68).

Whilst the net reservation rate is 11.7% below that reported in FY21 it should be highlighted that the prior year comparative was a particularly active period, reflecting

both pent-up demand following the national lockdown, as well as increased Help to Buy reservation activity ahead of the changes which would remove access to Help to Buy for existing homeowners.

Our total forward sales, including JVs, as at 22 August 2021 stood at 15,734 homes (23 August 2020: 15,660 homes; 25 August 2019: 13,064 homes) at a value of £3,939.9m (23 August 2020: £3,706.5m; 25 August 2019: £3,037.5m).

	22 August 2021		23 August 2020		Variance %		25 August 2019		Variance %	
	£m	Homes	£m	Homes	£m	Homes	£m	Homes	£m	Homes
Private	2,398.4	7,053	2,143.7	6,577	11.9	7.2	1,583.5	5,088	51.5	38.6
Affordable	1,265.5	7,917	1,277.6	8,249	(0.9)	(4.0)	1,133.9	7,089	11.6	11.7
Wholly owned	3,663.9	14,970	3,421.3	14,826	7.1	1.0	2,717.4	12,177	34.8	22.9
JVs	276.0	764	285.2	834	(3.2)	(8.4)	320.1	887	(13.8)	(13.9)
Total	3,939.9	15,734	3,706.5	15,660	6.3	0.5	3,037.5	13,064	29.7	20.4

We are also pleased that since the start of the new financial year we have seen a further improvement in our construction activity, building the equivalent of 335 homes per average week (FY21: 290 homes; FY20: 361 homes). This is some 15.5% ahead of the same period in FY21, when the business was rebuilding construction activity following the initial national lockdown, but is 7.2% below the equivalent financial period to date in FY20. We are on track to deliver our planned output growth.

Based on current market conditions, improved construction activity levels and assuming no further COVID-19 related disruption, we expect to grow wholly owned completions to between 17,000 and 17,250 homes in FY22, and in addition complete around 750 home completions from our

JVs, whilst ensuring we maintain our industry leading standards of quality and customer service.

The completion profile in FY22 is also likely to revert back to the more typical seasonal pattern of legal completions with around 45% of our full year completion guidance anticipated in the first half of the new financial year and 55% scheduled for completion in the balance of the year.

Looking ahead we recognise that there continue to be macro challenges from both COVID-19 and economic uncertainties but we are monitoring the market closely and we are prepared to respond as necessary.

We have substantial net cash balances, a well-capitalised balance sheet, a strong forward sales position and clear plans to

secure both incremental home completion growth and further operating efficiencies in the year ahead.

We also have the continued ambition to accelerate our actions to deliver industry leading sustainability progress, further enhancing business resilience and our customer proposition.

The Board will continue to monitor the market and wider economy and believes that our strong financial position provides us with the platform and flexibility to react to changes in the operating environment in FY22 and beyond.

David Thomas  
Chief Executive

1 September 2021



Our financial performance this year has shown an excellent recovery following the substantial impact of COVID-19 last year. The strength and resilience of our balance sheet, combined with the commitment and dedication of our employees, sub-contractors and suppliers, along with strong demand for our high quality new homes have all contributed to this.

Results for the year ended 30 June 2021

Sales activity

We delivered an excellent reservation performance in the year with a net private reservation rate per week of 0.78 (2020: 0.60; 2019: 0.70). In 2021 our sales centres across the country operated on an appointment only basis, although our sales offices in Wales remained closed for longer following Welsh Government guidance during subsequent lockdown periods. The physical closure of our sales centres from 23 March to 21 May 2020 in England, 1 June in Scotland and 25 June in Wales impacted our 2020 reservations, making year on year comparisons less informative, and therefore our net private reservation rate is included with comparatives to 2019:

Private reservation rate	H1	H2	FY
2021	0.77	0.78	0.78
2020	0.69	0.51	0.60
2019	0.64	0.76	0.70
2021 vs 2020 (%)	11.6%	52.9%	30.0%
2021 vs 2019 (%)	20.3%	2.6%	11.4%

During the year we operated from an average of 343 active outlets (2020: 366; 2019: 379 outlets) including 8 (2020: 9; 2019: 9) active JV outlets; the reduction reflecting the delay to site starts created by the initial national lockdown. We have made good progress on rebuilding momentum in new site openings, launching a total of 144 new outlets (2020: 75; 2019: 163 outlets) including JVs in the year, with 81 new outlets (H2 2020: 30; H2 2019: 73) opened in the second half. In FY22, we expect to see average sales outlet growth of around 3%, reflecting our focus on growth from both land investment and land bank optimisation through additional dual branding of Barratt and David Wilson Homes on our sites. We expect the affordable housing share of our home completions mix to increase to around 21% in FY22, a slight increase on the 20% in 2021.

Following the disruption to build from COVID-19 and the resulting site closures, lockdown and the site restarts in the second half of 2020, completion volumes substantially increased year on year. In the first half completions benefited from the elevated level of work in progress carried into the new financial year and our higher forward sales position. The second half benefited from continued strength of demand, as well as improved construction activity, which delivered completions for the year ahead of both our start of the year and half year expectations.

Completions (homes)	2021	2020	Change	2019	Change
Private	13,134	9,568	37.3%	13,533	(2.9%)
Affordable	3,383	2,466	37.2%	3,578	(5.4%)
JVs	726	570	27.4%	745	(2.6%)
Total (including JVs)	17,243	12,604	36.8%	17,856	(3.4%)

We have seen a gradual improvement in selling prices through the year, reflecting positive house price inflation across the country. Our total average selling price (‘ASP’) was £288.8k (2020: £280.3k; 2019: £274.4k), with private ASP at £325.5k (2020: £310.6k; 2019: £312.0k), reflecting house price inflation and a higher proportion of completions in London. The affordable ASP decreased by 10.1% to £146.5k (2020: £163.0k; 2019: £132.2k) reflecting changes in mix, primarily a lower proportion of completions from our London operations.

Profitability

Adjusted gross profit improved to £1,114.7m (2020: £631.4m; 2019: £1,087.4m) with adjusted gross margin significantly recovering, increasing to 23.2% (2020: 18.5%; 2019: 22.8%). The adjusted gross margin improvement reflected house price inflation ahead of build cost inflation and the scale of completion volume growth, which drove incremental fixed cost efficiency, with each home completion delivering a contribution of c. 32% after land and build costs.

After adjusted items totalling £104.7m (2020: £17.1m; 2019: £3.2m) relating to legacy property costs and the reversal of CJRS grant income recognised in 2020 but repaid in 2021, gross profit was £1,010.0m (2020: £614.3m; 2019: £1,084.2m) and the gross margin was 21.0% (2020: 18.0%; 2019: 22.8%).

This year we delivered an adjusted operating profit of £919.0m (2020: £507.3m; 2019: £904.3m) with an adjusted operating margin of 19.1% (2020: 14.8%; 2019: 19.0%). The 430 bps improvement in the adjusted operating margin reflected a number of factors:

- **Completion volumes:** the most significant item was the recovery in our wholly owned completion volumes, with a 37.3% or 4,483 home increase creating a 310 bps positive impact (2020: 190 bps negative impact).
- **Net impact of selling prices relative to build costs:** sales price inflation across the year relative to underlying build cost inflation produced a 90 bps positive impact (2020: 50 bps negative impact).
- **New sites:** the benefit of the Group's minimum 23% gross margin hurdle rate on new land acquisitions and the improved build cost performance of our housing range generated a 60 bps positive impact (2020: 50 bps positive impact).
- **Site extension costs:** these costs arose from the expected extension in site durations due to COVID-19, reflecting both the lockdown period and incremental build time on sites, of approximately six months. Reflecting the recovery in site efficiency through the year, new site starts and the completion of sites carrying these additional costs, there was a reduced charge of £15.8m (2020: £29.1m) across all ongoing sites in 2021 and a 30 bps positive impact (2020: 90 bps negative impact) on the adjusted operating margin.

- **Mix and other items:** changes in sales mix and other smaller items combined to create a 20 bps negative impact (2020: 60 bps negative).
- **Administrative expenses:** the reintroduction of annual employee incentives following the decision to make no payments under the 2020 annual employee incentive schemes, delivery against share incentive scheme targets, and a slight reduction in sundry income with a modest offsetting increase in part-exchange income, contributed to a significant increase in net administrative expenses. This deducted 150 bps (2020: added 120 bps) from the adjusted operating margin. In FY22 we expect administrative expenses will increase to c. £230m, reflecting a further reduction in sundry income alongside inflationary pay increases and disciplined investment in people and our IT systems.
- **Non-productive site overheads:** costs totalling £45.2m in 2020 that would normally have been capitalised to WIP but were expensed due to the absence of activity during the initial lockdown period did not repeat in the year and had a 90 bps positive impact (2020: 130 bps negative impact) on the adjusted operating margin.
- **Inventory provision release:** changes in the expected revenues and profitability across the land bank and development portfolio resulted in a net provision release of £3.5m compared to an £8.2m charge in 2020. The net impact of £11.7m resulted in a 20 bps incremental increase in the adjusted operating margin (2020: 20 bps reduction).

- There were two operating adjusted items recognised during the year:
- **Cost associated with legacy properties:** the Group incurred an additional £81.9m (2020: £39.9m) of costs in the year. Of this £32.5m (2020: £11.4m) relating to legacy properties comprising costs related to external wall systems and associated reviews. A further £49.4m (2020: £28.5m) related to Citiscape and associated reviews, which were substantially completed in the year. Following the establishment of our in-house Building Safety Unit, in FY22 we anticipate adjusted items of at least £40m for costs associated with EWS and cladding related remediation activities. These are costs that we may agree to incur beyond our contractual and legal obligations, and in response to evolving legislation.
  - **Repayment of CJRS grant income:** through the period of temporary closure of the business in 2020, where around 85% of our employees were placed on furlough, we used the Government's CJRS and received £26.0m of grant income. With the Board's decision, in July 2020, to repay all CJRS funds received, the Group recognised the total grant income received in 2020 as adjusted income. In 2021, the return of this grant income has been recognised as an adjusting cost.

As a result, we delivered a profit from operations of £811.1m (2020: £493.4m; 2019: £901.1m) and an operating margin of 16.9% (2020: 14.4%; 2019: 18.9%) in the period.

Movements in Operating Margin in FY21



Net finance charges were £26.6m (2020: £29.9m). This £3.3m decrease reflected a £6.2m reduction in the imputed interest on land creditors offset by the impact of the phasing of cash balances in the year. The cash finance charge was £9.7m (2020: £7.3m) with non-cash charges of £16.9m (2020: £22.6m). In FY22, finance costs are expected to be similar to 2020 at c. £30m, of which c. £10m is cash and c. £20m is non-cash.

JVs delivered a decreased profit for the year of £27.7m (2020: £28.3m; 2019: £39.2m). The JV result in 2021 also included a release in respect of costs associated with JV legacy properties of £0.4m (2020: £nil; 2019: £7.0m charge).

As a result, profit before tax for the year increased to £812.2m (2020: £491.8m; 2019: £909.8m). The tax charge for the year increased to £152.1m (2020: £89.1m; 2019: £170.4m) reflecting the recovery in profit before tax and was at an effective rate of 18.7% (2020: 18.1%; 2019: 18.7%).

Basic earnings per share increased to 64.9 pence per share (2020: 39.4 pence per share; 2019: 73.2 pence per share). Adjusted earnings per share, before the impact of adjusting items and associated tax, increased by 81.5% to 73.5 pence per share (2020: 40.5 pence per share; 2019: 74.1 pence per share).

With the substantial recovery in Group profitability in FY21, our ROCE improved to 28.3% (2020: 15.6%; 2019: 29.7%).

Cash flow

Net cash increased to £1,317.4m at 30 June 2021 (30 June 2020: £308.2m). The increase in net cash reflected a £1,082.3m net cash inflow from operating activities (2020: £121.0m cash outflow), a £16.7m cash inflow from net investments in and dividends received from JVs (2020: £65.2m) and a reduced level of dividends paid to shareholders in the year of £76.3m (2020: £373.2m) which reflected the absence of a 2020 final dividend payment.

The major drivers of the net cash inflow from operating activities in the year were:

- The increased level of profit from operations, which increased to £811.1m (2020: £493.4m);
- A cash inflow in respect of working capital and provisions of £407.0m (2020: £428.5m cash outflow); and
- Interest and tax payments, which totalled £154.5m (2020: £199.0m).

The £407.0m inflow in respect of working capital and provisions consisted of:

- A £385.9m decrease in inventories reflecting the partial reversal of elevated construction work in progress carried at the end of last year following the disruption to completions caused by COVID-19, as well as a modest decrease in land investment in the year;
- A £93.1m increase in receivables reflecting the significantly higher level of construction and sales activity in the last quarter when compared with activity in the last quarter of 2020 which

- was severely disrupted by COVID-19 and the initial national lockdown;
- A £74.8m increase in respect of payables. This consisted of a £133.6m reduction in land creditors and a £208.4m increase in trade and other payables reflecting a higher level of activity with our suppliers and sub-contractors compared to the period most affected by COVID-19 in our last quarter in 2020; and
  - A £39.4m increase in provisions reflecting the additional costs associated with legacy properties.

Balance sheet

The Group's net assets at 30 June 2021 totalled £5,452.1m (30 June 2020: £4,840.3m) after the payment of dividends totalling £76.3m (30 June 2020: £373.2m).

At 30 June 2021, the Group had net cash balances of £1,317.4m (30 June 2020: £308.2m). As at 30 June 2021 land creditors had reduced to £658.3m (30 June 2020: £791.9m) and equated to 22.3% (30 June 2020: 25.4%) of the owned land bank, in line with our operating framework.

We achieved our minimal year end total net indebtedness target, which has, given the strength of our cash flow performance in the year, improved to a net surplus of £659.1m at 30 June 2021 (30 June 2020: £483.7m indebtedness). Investment in land and work in progress to support our medium term growth target, along with our final ordinary dividend payments (subject to shareholder approval) will, we anticipate, reduce this total net surplus during FY22.



In FY22 we expect year end net cash balances of between c. £1.0bn and £1.1bn. During the year, £363.4m (2020: £492.9m) of land creditors will fall due for payment. Land creditors due beyond 30 June 2022 total £294.9m at 30 June 2021 (30 June 2020: £299.0m due beyond 30 June 2021).

Net tangible assets were £4,546.2m (446 pence per share) at 30 June 2021, (30 June 2020: £3,933.3m; 386 pence per share). Land, net of land creditors, and work in progress totalled £3,963.9m (389 pence per share) at 30 June 2021 (30 June 2020: £4,172.8m, 410 pence per share).

The key dimensions underpinning delivery of our strategy

Land and planning

Following our return to the land market in August 2020, we have been disciplined in our land purchasing. We have approved £876.8m (2020: £368.1m; 2019: £859.8m) of operational land for purchase, which equates to 18,067 plots (2020: 9,441 plots; 2019: 18,448 plots) on 97 new sites (2020: 51; 2019: 90) in attractive geographical locations that meet or exceed our hurdle rates.

Our competitive position in the land market is also being enhanced through our ability to acquire land for both Barratt and David Wilson Homes on dual branded developments. This combination brings greater housetype variety and customer choice and enhances the speed with which such sites can be developed and, as a result, improves ROCE.

We continue to see a good range of land buying opportunities and we have an attractive pipeline. We spent around £745m on land during the year (2020: £780m; 2019: £941m) on both land acquisitions and the settlement of land creditors.

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 of a shorter than sector average land bank recognises our focus on ROCE and our fast build and sell model. Reflecting our focus on future growth, we remain above this target with 4.7 years land supply at 30 June 2021 (30 June 2020: 6.7; 30 June 2019: 4.7). Our land bank comprised of 4.0 years of owned land and 0.7 years of controlled land at 30 June 2021.

More than 79% (2020: 77%) of our owned and unconditional land bank plots have detailed planning consent with the deliverability of these plots supporting our sales outlets both now and in the future. As well as years of land supply, the planning status of our land bank plots remains an important determinant of the commercial strength of our land bank.

Our land bank at 30 June comprised:

Our land bank	30 June 2021	30 June 2020
Plots with detailed planning consent	52,775	52,641
Plots with outline planning consent	13,452	15,615
Plots with resolution to grant and other	374	137
Owned and unconditional land bank (plots)	66,601	68,393
Conditionally contracted land bank (plots)	11,041	11,931
Total owned and controlled land bank (plots)	77,642	80,324
Number of years' supply <sup>(1)</sup>	4.7	6.7
JVs owned and controlled land bank (plots)	4,661	5,400
Strategic land (acres)	13,754	13,271
Land bank carrying value (£m)	2,946.3	3,112.3

1. Land supply is calculated as total land owned (owned land and land subject to unconditional contracts) and controlled (land subject to conditional contracts) land bank plots divided by wholly owned completions in the last 12 months.

At 30 June 2021, the ASP of plots in our owned land bank was £289k (30 June 2020: 276k; 30 June 2019: £275k).

During the year we delivered 4,172 (2020: 2,929; 2019: 4,374) home completions from strategically sourced land. With some notable planning successes in the year, we converted 3,507 plots (2020: 3,137; 2019: 7,915 plots) of strategic land into our owned and controlled land bank. Around 17% (2020: around 20%) of our strategic land is allocated or included in draft local plans. We continue to target around 30% of completions from strategic land in the medium term, which we believe is an appropriate level for our business reflecting our operating model, targeted land bank length and focus on ROCE.

Reflecting our success with planning over the past 12 months we are well positioned, with all of our expected FY22 completions (2020: all of our FY21 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. This will enhance our margin and ROCE and improve the resilience of our business.

We have a robust and carefully managed supply chain. Approximately 95% of our housebuild materials are sourced by our centralised procurement function and 90% of our building materials are manufactured or assembled in the UK.

We have fixed price agreements in place for 96% of these materials to December 2021 (2020: 95% to December 2020) and 71% are fixed until June 2022 (2020: 62% fixed until June 2021).

We are currently seeing moderate inflationary pressure on skilled labour supply, reflecting the strength of the housebuilding construction recovery balanced with a desire by sub-contractors and skilled trades for future workload visibility. We are also improving construction efficiency and reducing demand on labour through the continued roll-out of our new housetype ranges, which are easier and quicker to build, and through the use of MMC.

Reflecting the ongoing strength of the market, we continue to see increases in build costs currently running at between 4% and 5% and we now expect build cost inflation will be within this range for FY22.

Operating framework and capital structure

Our operating framework and appropriate capital structure have served us well over the unprecedented period in the last 18 months. The resilience of our framework and financing structure was demonstrated in 2020 and has provided the financial platform for our operations to deliver both the speed and scale of recovery in the last year as well as the capacity to commit to investment to support future growth.

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

Our operating framework remains unchanged and performance against targets at 30 June 2021, 2020 and 2019 are summarised below:

	Operating framework	Positions at 30 June 2021, 2020 and 2019
Land bank	c. 3.5 years owned and c. 1.0 year controlled.	2021: 4.0 years owned and 0.7 years controlled. [2020: 5.7 years owned and 1.0 year controlled]. [2019: 3.9 years owned and 0.8 years controlled].
Land creditors	Reduce usage to 15 - 25% of the land bank over medium term.	2021: 22.3%. [2020: 25.4%]. [2019: 31.3%].
Net cash	Modest average net cash over the financial year.	2021: average net cash of £821.0m. [2020: £348.3m]. [2019: £298.3m].
	Year end net cash.	30 June 2021: £1,317.4m. [30 June 2020: £308.2m]. [30 June 2019: £765.7m].
Total indebtedness (net cash and land creditors)	Minimal year end total indebtedness in the medium term.	30 June 2021: total net surplus of £659.1m. [30 June 2020: total indebtedness of £483.7m]. [30 June 2019: total indebtedness of £195.0m].
Treasury	Appropriate financing facilities.	£700m RCF extended to November 2024. £200m USPP maturing August 2027.
Dividend policy	2.5x dividend cover.	2021: total ordinary dividend of 29.4p. [2020: no dividend]. [2019: total ordinary dividend of 29.1p per share].

Treasury

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

Tax strategy

All profits of the Group are subject to full UK corporation tax and the tax charge for the year ended 30 June 2021 was £152.1m (2020: £89.1m).

The Group does not enter into business transactions that are for the sole purpose of reducing potential tax liabilities. The Group’s tax strategy is to only utilise any available reliefs and exemptions which have been set out in any current tax legislation to minimise its tax liabilities. The rate for the year ended 30 June 2021 was 18.7% (2020: 18.1%) which is marginally lower than the standard effective rate of tax of 19.0% (2020: 19.0%).

Looking ahead, the Group’s tax charge and effective rate of tax is expected to increase, due to changes in the future rate of corporation tax, which is expected to increase to 25% from 1 April 2023. In addition, the outcome of the Government’s consultation on a Residential Property Developer Tax (RPDT), which began in April 2021, will have an impact on our effective tax rate. The basis of the calculation of our taxable profits under the RPDT is still subject to clarification, as is the rate at which the new tax will be applied. The new tax is scheduled for introduction on 1 April 2022. As such, based on current proposals, we expect the RPDT will apply for the final quarter of FY22 with the full year impact of the new tax applying in FY23. More details on Tax Policy are included in note 2.6 to the financial statements.

Pensions

The Group historically operated a funded defined benefit pension scheme, which, with effect from 30 June 2009, ceased to offer future accrual. 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.

In June 2021, the Trustees completed a buy-out of our defined benefit pension scheme with a leading insurer, securing the pensions of members for the future. As a result, the assets and liabilities of the pension scheme have been derecognised. The buy-out and derecognition of the assets and liabilities of the pension scheme resulted in a one-off income statement charge of £1.1m. See note 6.2.2 for more details.

Defined contribution pension arrangements are in place for current employees. During the year we consulted with our workforce and moved three of our legacy defined contribution pension schemes to a new Master Trust with a leading insurer. This will enhance retirement flexibility and improve our employee benefit offer. Defined contribution scheme charges with respect to qualifying employees totalled £13.9m (2020: £13.6m; 2019: £11.5m). Contributions are based upon a fixed percentage of the employee’s pay and once paid the Group has no further obligations under these schemes.

Guidance for FY22

Looking to the year ahead our guidance is summarised as follows:


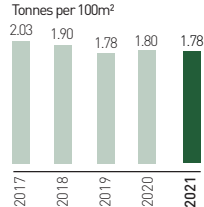
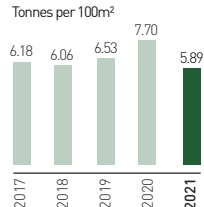
Completions	c. 17,000 – 17,250 wholly owned completions
Completions mix	c. 21% affordable, c. 79% private mix
JV completions	c. 750 JV completions
Completions phasing	Return to more normal H1:H2 completion phasing
Average sales outlet growth	c. 3%
Build cost inflation range	4 to 5%
Administrative expenses	c. £230m
Interest cost	c. £30m (c. £10m cash, c. £20m non-cash)
Adjusted items in respect of legacy properties	Estimated charge of £40m - £50m
Land approvals	18,000 to 20,000 plots
Land cash spend	c. £1.0bn
Year end net cash	c. £1.0bn - £1.1bn
Taxation	Residential Property Developer Tax impact potentially from 1 April 2022

A strong financial position entering FY22

Our operating framework and strong financial position provide us with the flexibility to focus on delivery of our medium term target to grow completions towards 20,000 homes. Through the combination of land acquired at a minimum 23% gross margin over recent years, operating efficiencies unlocked through completion growth, and ongoing performance optimisation, we continue to target a minimum 25% ROCE.

Key performance indicators

Non-financial

Target	Status	Definition	Why we measure
Customer service			
HBF 5 Star customer satisfaction.		The percentage of homebuyers who would recommend us to family and friends taken from the HBF Homebuilder Survey.	Customer satisfaction is a strategic priority and fundamental to our business.  HBF Homebuilder Survey is an industry recognised independently measured indicator of our customer service and build quality.  Key metric for assessing performance for Executive Directors’ remuneration.
Health and safety (SHE audit compliance)			
Over 94% SHE audit compliance.	97% (2020: 96%)	The percentage of internal inspections which are compliant with SHE guidelines.	Demonstrates compliance with safety standards on our sites. Lead indicator highlighting areas of SHE focus.  Key metric for assessing performance for Executive Directors’ remuneration.
Carbon intensity			
Reduce greenhouse gas intensity (tCO <sub>2</sub> e per 100m <sup>2</sup> of legally completed build area) for scope 1 and 2 greenhouse gas emissions. We have set a target to reduce absolute scope 1 and 2 greenhouse gas emissions by 29% by 2025 from 2018 levels.		Tonnes of greenhouse gas emissions associated with our scope 1 and market based 2 scope emissions, which includes energy and fuel use on our sites and in our offices, for every 100m <sup>2</sup> of legally completed build area.	To minimise the environmental impact of our business activities and reduce our exposure to climate risk.  Updated to show market based emissions to more accurately reflect the source of the Group’s purchased energy.
Waste intensity			
Reduce construction waste intensity (tonnes per 100m <sup>2</sup> of legally completed build area) to 5.67 by 2025.		Tonnes of waste generated from above ground construction for every 100m <sup>2</sup> of legally completed build area.	To maximise operating efficiency and use materials as efficiently as possible in the construction process.
Employee engagement score			
Upper quartile engagement.	84.2%* (2019: 84.5%)  * 2021 Survey deferred to October 2021.	The percentage level of satisfaction of our people measured using an annual independently conducted survey.	To gain an insight of, and provide a forum for, employee views. To retain and invest in the best people and focus on their development and success.
Land approvals (plots)			
18,000–20,000 plots approved for purchase.	18,067 (2020: 9,441)	The number of plots approved for purchase.	Monitors whether the Group is approving enough land for purchase to support future business activity. Ensures land is approved at minimum hurdle rates.



Key performance indicatorsCONTINUED

Financial

Metric	Target	Status	Progress	Definition	Why we measure
Growing volumes					
Home completions	Growth to 20,000 in the medium term.	17,243	<div><div>homes</div><div>17,39517,57917,85612,60417,243</div><div>20172018201920202021</div></div>	Legally completed homes during the year including 100% of JV homes legally completed in which the Group has an interest.	Reflects activity and growth. Method by which business capacity is monitored.
Delivering margin improvement					
Gross margin	New land acquisitions at minimum 23% gross margin.	21.0%	<div><div>%</div><div>20.020.722.818.021.0</div><div>20172018201920202021</div></div>	Gross profit divided by total revenue, expressed as a percentage.	Key internal metric for assessing site profitability. Enables consistent comparison of land acquisitions.
Adjusted gross margin	New land acquisitions at minimum 23% gross margin.	23.2%	<div><div>%</div><div>20.220.822.818.523.2</div><div>20172018201920202021</div></div>	Gross profit excluding items that are unusual or infrequent in nature, divided by total revenue and expressed as a percentage.	Key internal metric for assessing profitability. New KPI to demonstrate trading performance before unusual or infrequent items.
Operating profit	Driving further improvements. £919.0m adjusted operating profit	£811.1m	<div><div>millions</div><div>799.2862.6901.1493.4811.1</div><div>20172018201920202021</div></div>	Profit from operations.	Demonstrates profitability before finance costs, share of profits from JVs and associates and tax. Assesses the efficiency of our operations.
Operating margin	Driving further improvements. 19.1% adjusted operating margin	16.9%	<div><div>%</div><div>17.217.718.914.416.9</div><div>20172018201920202021</div></div>	Profit from operations divided by total revenue, expressed as a percentage.	Demonstrates profitability before finance costs, share of profits from JVs and associates and tax. Assesses the efficiency of our operations.
Profit before tax	In line with consensus at the start of the financial year.	£812.2m	<div><div>millions</div><div>765.1835.5909.8491.8812.2</div><div>20172018201920202021</div></div>	Profit before tax including the applicable share of profits from JVs and associates.	Shows the profitability of the Group relative to market expectations. Key metric for assessing performance for Executive Directors' remuneration.

Metric	Target	Status	Progress	Definition	Why we measure
Delivering ROCE					
ROCE	Minimum 25%.	28.3%	<div><div>%</div><div>29.829.629.715.628.3</div><div>20172018201920202021</div></div>	Calculated as earnings before amortisation, interest, tax, operating charges relating to the defined benefit pension scheme and adjusted items, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/ obligations and derivative financial instruments.	Ensures efficient and effective use of capital. Key metric for assessing performance for Executive Directors' remuneration.
Attractive shareholder returns					
Basic EPS	In line with consensus at the start of the financial year.	64.9p	<div><div>pence</div><div>61.366.573.239.464.9</div><div>20172018201920202021</div></div>	Calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held by the EBT on which no dividend is paid.	Shows profit attributable to each share. Key metric for assessing performance for Executive Directors' remuneration.
Adjusted basic EPS	In line with consensus at the start of the financial year.	73.5p	<div><div>pence</div><div>62.067.074.140.573.5</div><div>20172018201920202021</div></div>	Calculated by dividing adjusted profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held by the EBT on which no dividend is paid.	Shows adjusted profit attributable to each share and used to calculate the amount of dividend per share. New KPI to demonstrate earnings from trading performance before unusual or infrequent items.
Total shareholder return	TSR FTSE (50+/-) Threshold 17.7% Maximum 54.4%. TSR Housebuilders Threshold 27.1% Maximum 53.1%.	59.8% for the three years ended 30 June 2021. (2020: 6.1% for the three years ended 30 June 2020).		Measure of the performance of the Group's share price over a period of three financial years. It combines share price appreciation and dividends paid to show the total return to the shareholders expressed as a percentage.	Shows the appreciation and income a shareholder receives from holding each share. Key metric for assessing performance for Executive Directors' remuneration.
➔ For progress against our medium term targets, go to page 15 in the <a href="#">Chief Executive's statement</a>					

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

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

We understand that it is important for the business at all levels, including the Board, to engage with its shareholders and wider stakeholder groups. By engaging with our stakeholders we gain a better understanding of what areas they are interested in or concerned about and also how our decisions have impacted them. Healthy engagement with our stakeholders underpins our governance framework, which is embedded throughout our business and helps to ensure we maintain high standards of business conduct. The Executive Directors update the Board on stakeholder engagement on a regular basis and wherever possible, members of the Board engage directly with our stakeholders. Engagement with shareholders and other stakeholders supports the Board’s regard to the likely consequences of any decision in the long term, as explained further in the business model on pages 10 to 11, Key activities of the Board on page 73, Building sustainably on pages 18 to 23 and throughout our Strategic priorities on pages 24 to 33.

The Board appreciates that there may be situations where conflicts will arise between different stakeholder groups. In such circumstances, the Board will seek to understand the needs and priorities of each stakeholder group during its discussions and as part of its decision making process. It manages such conflicts by assessing shareholder and stakeholder interests from the perspective of the long term sustainable success of the business. As an example, during the year the Board had to consider how to meet the increase in demand for new homes (in part due to the end of the SDLT holiday) as the country emerged from the lockdown without compromising the safety of its workforce given that to improve productivity, the workforce would need to work longer hours as well as weekends. Additional reporting requirements and further controls were put in place to enable the Executive Directors to closely monitor movement in build stages. The SHE team undertook more SHE visits across the business to ensure that SHE policies, procedures and working practices continued to be adhered to. Where any areas of improvement were identified, detailed action plans were put in place to safeguard our employees. Such actions and decisions by the Board represent the Group’s culture of customer focus and resilience and adaptability. In addition, the Board ensures that our culture encourages our wider workforce to take pride in what we do, and to do the right thing when in contact with customers and members of the local communities.

Throughout the year, the Board remained mindful of the implications that their decisions would have on our stakeholders as well as potential reputational risk for the Group. This highlighted the continual need for regular, clear and comprehensive engagement with our workforce, suppliers, shareholders and customers throughout various decision making processes to ensure that we continue to do the right thing and protect the reputation of the Group.

The next few pages set out the stakeholders which continue to represent the key resources and relationships that support the generation and preservation of value in the Group, as well as our culture of openness and communication. For each stakeholder we have explained why we engage with them, how we engaged with them, and how we take into consideration, the interests and concerns of our stakeholders who are material to the long term success of the business.

Stakeholder engagement

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

Customers

Why we engage

Customers are at the heart of everything we do. Without them there would be no business for us to operate. It is therefore imperative that we understand what our customers are looking for and adapt our product to meet their needs.

How we engage

We utilise different methods of engagement with our customers depending on the information that we are trying to gain or provide.

1. Written correspondence/questionnaires

- Seasonal newsletters were sent to customers within warranty to provide guidance on getting the best from their new home.
- Continued to engage with leaseholders on a site-by-site basis, both individually and through their managing agents, to discuss their concerns around cladding and fire safety directly.
- Invited customers to leave a review of their experience on Trustpilot and then followed these up to address any concerns.
- Changed the ‘bespoke’ questions on the HBF 8 week customer satisfaction survey to get a better understanding of customer perceptions of the design and layout of our homes.
- Proactively emailed all customers to communicate the changes to our sales, construction and aftersales procedures as COVID-19 restrictions were eased across the country.
- Regularly updated our websites to include the latest COVID-19 guidance, to allow customers to book virtual appointments and personalised virtual show home tours.

2. Focus Groups/research/surveys

- Involved customers in various pieces of virtual research to gain an understanding of their perceptions on various areas including (but not limited to): how consumers undertake property searches; our brand positioning, preferences for marketing photography; post-COVID-19 working from home arrangements; and development of a new range of apartments.

- Customers were asked to provide direct feedback about our products and how we communicate with them. Their input aids decision-making and future business planning.
- A survey was undertaken to understand how much customers are aware of sustainability/energy efficiency/biodiversity activities within

housebuilding and how much this affects their decision when selecting a housebuilder. In addition, questions have been included in the NHBC nine month survey around customer knowledge and requirements for sustainability in a new home.

KPIs – How is effectiveness measured

The following information is reported to the Board by the Chief Executive and/or the Group Sales and Marketing Director to enable it to consider and agree what, if any, changes may be required to our methods and frequency of engagement with our customers:

- HBF 5 Star rating for the 12th consecutive year.
- Average Trustpilot score for FY21 was Barratt 4.1 (FY20: 3.6) and David Wilson Homes 4.3 (FY20: 3.6).
- Click through rate for seasonal newsletters is around 10% - broadly stable over the year.
- Feedback on HBF 8 week survey is collated and used in our annual review of product specification.

Interests and concerns

Through the engagement activities undertaken, the following areas were identified as the key interests and concerns of our customers:

- Quality and energy efficiency of the homes they are purchasing and their customer journey pre and post move in.
- Cladding and fire-safety of multi-storey buildings.
- Mortgage availability and affordability.
- Outdoor open/green spaces and adaptability of property to support working from home.

Outcomes from engagement

- Marketing plans being adapted to ensure that we are highlighting more information about gardens, public open spaces and how we are designing homes with more light.
- Undertook a review of our homes to ensure they have appropriate space to work from home and displayed potential options to do this in our show homes and websites, where relevant.
- Partnered with internet providers to ensure ultrafast broadband connections were available in all future homes, to facilitate home working in the post COVID-19 world.
- Refined our product proposition and branding for a new apartments range.

Effect of engagement with customers on Board decisions

- Continued to drive defect resolution across the divisions and updated policies and procedures to ensure compliance with the requirements of the new Consumer Code.
- Closely monitored build movements to ensure customers receive handover of their new home within agreed timescales and prior to the tapering of Help to Buy and the end of the SDLT holiday.
- Continue to consider the appropriateness of existing discount schemes for the benefit of customers within certain public services such as the NHS and the Armed Forces.
- Agreed to support two projects (HBF Mortgage Indemnity Scheme and Market Mortgage) to support 95% lending on New Build houses and flats in addition to the Government Indemnity Scheme.
- Set up a dedicated team to assess and make recommendations with regards to cladding, structure and fire safety of our multi-storey buildings.



Employees

Why we engage

Without our engaged and motivated employees the business would not be able to operate effectively. It is due to their hard work and commitment that the Company is, operationally and financially, strong. It is therefore of paramount importance that we are able to attract, recruit and retain the best people. To do this we need to understand what matters most to them and ensure that we have the right policies, processes & procedures, remuneration, as well as training and development opportunities in place to support them.

How we engage

During the year we utilised a number of methods to engage with our employees as set out below. Most methods enable two-way interaction with employees either face to face or virtually whilst others allow employees to voice their concerns or thoughts anonymously. Either way, it enables the Board to better understand the issues that are important to our colleagues and helps nurture a mutual understanding between senior management and their teams.

1. Workforce Forum

- Met virtually four times during the year, three planned meetings and an additional one deferred from April 2020 due to the lockdown. Moving forward, the Forum will use a mixture of virtual and in person meetings.
- At the last meeting, participants were virtually split into four groups to discuss various aspects of a phased return to the office that had emerged from a pulse survey completed by the wider workforce. These areas included working from home; return to the office; information and communication and site based workers' views on phased return to offices. The groups re-joined the main meeting in order to provide feedback on their respective topic.
- Other areas of discussion during the year included: the outcomes of the 2020 engagement survey; Executive Director and employee remuneration strategy for the year: the impact on sites of home working; how the business has been communicating at Group and divisional level; ongoing

IT projects; the Group's sustainability objectives; health, safety and wellbeing; retirement planning support and the pension scheme transfer of the defined contribution section of the scheme to a Master Trust.

- Supported the upgrade of the employee benefits platform, from tender to implementation, and testing of the portal before it went live.
- All employees are able to engage directly or via the Workforce forum members, with the Designated NED (Richard Akers until 4th May 2021 and Sharon White thereafter) via a dedicated email address on any matters relating to the workplace, including remuneration, on a confidential basis.
- Richard Akers attended every meeting prior to stepping down from his position as Designated NED and Sharon White intends to continue with this.
- More information on the Workforce Forum can be found on page 32.

2. Surveys

- Annual employee engagement survey to gain insight into the issues that matter most to our employees. This year's survey has been deferred until October 2021 in order to capture employees' feedback on hybrid ways of working as they return to the office.
- Interim pulse surveys were undertaken on an ad-hoc basis during the year to elicit views about returning to the office and the effectiveness of communication regarding COVID-19 related matters. In addition, these surveys were utilised to assess the impact of action plans that had been put in place following the outcomes of the 2020 Employee Engagement survey.
- A survey was issued to all company car users and car allowance recipients to gain feedback on the Company's car policy.

3. Internal communication  
General

- Emails (to Barratt or personal email addresses) and newsletters were used to keep employees informed of developments and important issues.
- We launched a new intranet platform, allowing social interaction, enabling colleagues to directly engage with content shared online by posting comments and liking stories.

- As a consequence of social distancing, the business has increased its use of virtual methods with more videos being available on the intranet including key messages from the Chief Executive and the Deputy Chief Executive.
- A consultation on the transfer of the Defined Contribution section of the Barratt pension scheme to a Master Trust was carried out in May and June.
- Senior Management conference was held virtually to discuss Group performance and key areas of focus as well as to share ideas and best practice for cascade to the wider business through individual teams.

Training

- The availability of online learning and development webinars has been increased this year, due to the difficulties for employees in attending training in person.

Health, safety and wellbeing

- Webinars and e-learning modules as well as virtual classes, such as yoga, were made available to employees to support their physical and mental wellbeing as they continue to work from home.
- SHE announcements were issued to the business informing employees of incidents that have occurred and why, together with how this will be mitigated against going forward.

COVID-19

- Dedicated COVID-19 email address continued to be made available for employees to raise any queries, concerns, feedback or ideas. Each email was reviewed by the Chief Executive, the Company Secretary and the relevant member of the Executive team.
- Briefings, e-learning modules, screensavers, webinars, emails and videos were held/issued as the lockdown restrictions eased to ensure all employees were informed of any changes to working practices, policies and procedures. For example, we amended our policies relating to holidays, pay, resourcing, induction, quarantine and isolation to align them with Government guidance. We advised those who were shielding to not attend site or the office and we limited the number of people that could be in an

office at any one time whilst providing a comprehensive home working guide incorporating guidance on mental health and wellbeing, safety, security, IT and provided a wealth of support for working parents and carers around home schooling.

- Received Assurance Statement from the British Safety Council certifying that our COVID-19 workplace safety, health and environmental arrangements are in accordance with current guidance and best practice, demonstrating our commitment to providing a safe and healthy workplace.
- Periodic email updates (to Barratt or personal email addresses) from the Chief Executive to advise employees of changes in social distancing rules and how they apply to offices and sites in each of the nations.

Sustainability

- Updated the senior leadership team through a virtual conference on sustainability priorities as well as the Group's sustainability strategy and delivery framework, to ensure a common understanding and to kickstart a dialogue on how their teams can best support and drive the strategy forward.
- Held various sessions with functional teams, senior management and the wider business to explain the sustainability strategy and framework and agree how they can contribute to embedding this within all areas of the business operations, in particular in increasing their understanding of climate risks and opportunities.
- We launched the Barratt Eco Calculator to help our employees calculate their individual carbon footprints as well as advice on how to reduce them.
- We launched a new employee benefit to help colleagues switch to 100% renewable tariffs in their own homes.

Charitable giving

- Launched the Barratt Developments PLC Charitable Foundation by allowing employees to vote on how to distribute an initial £500k between ten chosen charities.
- Published guidance on the operation of the Barratt Foundation encouraging employees to participate in fundraising (where possible) but also in determining charities to benefit from the Barratt and David Wilson Homes Community Fund.
- Organised The Virtual Big Barratt Hike and Barratt 500k challenge, which encouraged employees across the business to participate and raise funds for three different charities.

KPIs – How is effectiveness measured

The following information is reported to the Board by the Chief Executive to enable it to consider and agree what, if any, changes may be required to our methods and frequency of engagement with our employees:

- Employee engagement survey provides a quantified measurement of engagement, and the results of the next survey will be available in October 2021.
- We monitor the number and content of emails to the Employee Communications mailbox and the dedicated COVID-19 mailbox.
- The amount of fundraising by the employees provides an insight to the level of engagement to the Group's Charitable Giving.

Interests and concerns

Through the engagement activities undertaken, the following areas were identified as the key interests and concerns of our employees:

- The Group's Sustainability Framework and wider strategy and how individuals, teams and the business as a whole can respond to help achieve these ambitions.
- Re-instatement of salary reviews and bonus payments.
- Changes to COVID-19 restrictions.
- Their own health and wellbeing.
- Company performance and job security.

Outcomes from engagement

- Roll-out of an IIR reporting app to ensure that incidents are captured in a timely manner and accurately recorded from site.
- Continued to provide health and wellbeing support during the year.
- Increased the number of employees able to work in an office at any one time whilst ensuring social distancing requirements continue to be met.
- Feedback showed that employees are keen to move over to electric vehicles.
- Successfully transferred the Defined Contribution scheme to a Master Trust resulting in a number of benefits to employees including increased service levels, reduced costs and improved investment options (including ESG investment options).
- Better understanding and greater employee buy-in to the Sustainability strategy and Framework.
- At the Workforce Forum's request, inclusion of COVID-19 FAQs to the Group's intranet to summarise the feedback and questions from around the business.
- Paid out £500,000 to ten charities as part of the launch of the Barratt Foundation and provided match funding totalling £363,500 in support of all the fundraising undertaken by our employees.

Effect of engagement with employees on Board decisions

- Continued commitment of the Board to our employees' development, wellbeing & diversity and inclusion strategies.
- Salary reviews for FY22 reinstated and bonus payments to be made for FY21 given the financial resilience of the business.
- Updated the Company Car Policy to increase the number of electric and hybrid vehicle choices, to ensure we are supporting the sustainable travel ambitions in our Sustainability Framework whilst providing the optimum choices as an important part of the employee benefit package without creating any immediate impacts for those existing employees in receipt of car benefits. As a result, electric and hybrid vehicles now account for 27% of our car fleet.

Shareholders

Why we engage

Shareholders own the Company. It is therefore imperative that we listen to what they have to say and operate the business in a way that delivers long-term sustainable returns. The Company's reputation could be damaged and it could be prevented from attracting new investments without the support of its shareholders.

How we engage

We utilise the following methods of engagement with our shareholders given that investors and retail shareholders appreciate direct contact. More virtual meetings were held during the year, given the continued COVID-19 restrictions. We will resume face to face meetings with those shareholders who would like to do so during FY22 and beyond, subject to ongoing restrictions. During the year we improved the technology in use to facilitate these meetings.

1. Board updates

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

2. Investor meetings and consultations

- The Executive Directors and Investor Relations Team follow a comprehensive programme of investor meetings and calls, particularly following the release of annual and half year results and trading updates as follows:
  - virtual investor roadshows with shareholders in the UK, Europe and the US following the Group's final FY20 and interim FY21 results;
  - ad-hoc one-to-one meetings (including at virtual conferences and fireside chat events), and group investor meetings were held, mainly virtually, with the Group Investor Relations Director to discuss investors' questions and areas of concern; and

- the Remuneration Committee Chairman consulted with major shareholders and proxy voting agencies on the Group's FY21 remuneration outcomes and plans for FY22.
- the Chairman, the Senior Independent Director and other Non-Executive Directors were available to attend meetings with major shareholders at the request of either party to gain an understanding of any issues and concerns.
- In addition, during the year:
  - the use of technology has helped to improve our engagement with smaller institutions, regional pension funds and private wealth managers on non-results cycle roadshows, which previously have proved to be difficult due to their regional spread;
  - the Group Investor Relations Director and the Group Sustainability Director attended various ESG conferences and meetings to provide insight into the activities being undertaken by the Group, in particular: our response to the Future Homes Standard, our value chain's carbon footprint, our response to the impacts of climate change, our approach to timber frame and modern methods of construction, and to gain an understanding of shareholders' expectations in respect of ESG disclosures and alignment with SASB and TCFD requirements;
  - the Chair, Chief Executive and Group Investor Relations Director engaged with a majority shareholder to discuss the Group's policies with respect to Modern Slavery, Human Trafficking and the Living Wage; and
  - the Group Sustainability team and the Group Investor Relations Director provided in depth replies to incoming questions from both investors and sell side analysts across all sustainability related areas, but in particular, climate change.

3. Regulatory announcements

- We issued our regular trading updates via the London Stock Exchange Regulatory News Service in May, July and October and the usual half and full year announcements in February and September respectively. An additional trading update was issued in January 2021 and a number of announcements were made throughout the year in respect of various Board changes (see page 79 for further details).

4. Annual General Meeting

- We expect to hold the 2021 AGM as a physical meeting. A live webcast will be available with the ability to submit questions on the day.
- At the 2021 AGM, the Chief Executive will update shareholders on the Group's performance and activities during the year including how the business continues to respond to the impact of COVID-19. The Chairman and each Board Committee Chair will also be available throughout the AGM to answer any queries, subject to any ongoing restrictions.
- The Notice of AGM will be circulated to all shareholders at least 20 business days prior to the meeting. All resolutions will be voted on by way of a poll, which is more representative of shareholder voting intentions.
- As introduced last year, shareholders will be able to submit questions to the Board via email or post prior to the AGM.
- Our Articles of Association, as approved at the 2020 AGM, were changed to enable fully hybrid meetings which allows for more flexible and meaningful shareholder engagement and are more resilient to external challenges in future.

5. Website

- We reviewed and updated our comprehensive investor website quarterly to ensure that it contained timely information relating to matters such as sustainability, governance and our response to COVID-19.

6. Correspondence

- The Company Secretarial team, together with the Company's Registrars, have engaged with various retail shareholders and dealt with enquiries relating to their shareholdings or other information requests. The Company Secretary normally notifies the Chairman and the Chief Executive of any areas of concern or importance raised by retail shareholders. No such queries were raised during the year.
- We were assessed by a number of key sustainability benchmarks and indices such as NextGeneration and CDP. Our performance against each of these improved in the year, details of which can be found on page 23.
- We wrote to retail shareholders encouraging them to request digital communications, in support of our work to enhance our sustainability credentials and reduce our carbon footprint. They were also asked to set up dividend mandates, to enable them to receive their dividends faster and more securely.
- We also undertook a tracing and reunification exercise to reunite shareholders, whose accounts had not been active for more than twelve years, with their shares and unpaid dividends.

KPIs – How is effectiveness measured

The following information is reported to the Board by the Chief Executive and the Group Investor Relations Director to enable it to consider and agree what, if any, changes may be required to our methods and frequency of engagement with our shareholders:

- The Executive Directors, supported by Senior Management, attended 145 investor meetings (FY20: 135), 116 one-to-one meetings (FY20: 119) and 30 group meetings (FY20: 15) engaging with around 48.5% (FY20: 30%) of our current shareholders (by shareholding value).
- Qualitative feedback is sought from investors and is used to deliver improved engagement.

Interests and concerns

Through the engagement activities undertaken, the following areas were identified as the key interests and concerns of our shareholders:

- The Company's strategy and impact of COVID-19.
- Operational and financial performance including impact of cladding and costs associated with legacy properties.
- Our strategy in relation to timber frame and modern methods of construction.
- Sustainability matters including (but not limited to) the potential impact of the Future Homes Standard, details of our value chain emissions and our strategy to mitigate the impacts of climate change.
- Modern slavery policies and our commitment to paying the real Living Wage.
- Dividend re-instatement.

Outcomes from engagement

- Shareholders kept fully informed of the performance of the Group, including the impact on trading of the ongoing pandemic.
- Enhanced understanding amongst investors of ESG issues relating to the industry as a whole and to Barratt specifically.
- Reassurance that the Group continues to be in a strong position and remains a good investment opportunity.
- Creation of opportunities through initial engagement for follow up meetings and communication.

Effect of engagement with shareholders on Board decisions

- Better understanding of shareholder expectations in respect of ESG matters, particularly climate change risks and opportunities and how we relate to the UN SDGs. This resulted in enhanced disclosures within this Annual Report and Accounts, including early partial adoption of TCFD and SASB requirements, and a commitment to develop future investor communications which integrate ESG with financial and operational performance.
- Decided to re-instate the dividend and paid an interim dividend in May 2021 and also agreed to recommend the payment of a final dividend for FY21.
- Continue to be accredited as a Living Wage employer.



Sub-contractors and supply chain

Why we engage

Without our sub-contractors and supply chain we would not be able to build high quality products at the volume expected by the market. It is therefore important for us to build relationships with our sub-contractors and our supply chain in order to secure continuity of supply of materials, help support our productivity levels, avoid increased costs of sourcing alternative suppliers and avoid undue delays in construction. We must ensure that we have a good understanding of what they expect from the Company in return for their continued support.

How we engage

The following methods of engagement are utilised as they give us the opportunity to speak to our sub-contractors and supply chain as a group which ensures consistency in the messaging being provided and enables an opportunity for networking and sharing ideas and best practice. Individual meetings allow us to focus on specific areas or issues relevant to that stakeholder.

1. Supplier conferences

- We held two supplier conferences during the year. At each conference we shared our immediate and medium term plans and the role our suppliers can play in helping us to achieve our objectives whilst gaining a better understanding of the issues and challenges they were facing and how we could support them.

2. Ongoing supplier relations

- Engaged with sub-contractors and our supply chain to understand their capacity to continue to support our build programmes on recommencement and throughout each lockdown.
- Made further progress on the Supplier Sustainability matrix developed for our suppliers to drive performance against our strategic priorities.
- Engaged with 30 of our highest emitting suppliers and sub-contractors to better understand our Scope 3 emissions. Further information can be found on page 23.

- Our divisions held sub-contractor and supplier days to discuss local business plans and 'Thank you' events for our sub-contractors and suppliers for their continued support.
- Conducted trials to eliminate or reduce single use plastics and involvement collaborative projects with Zero Waste

- Scotland to research packaging waste and its manufacturing and supply source.
- Continued to promote the Supply Chain Sustainability School to provide targeted learning and training resources.

KPIs – How is effectiveness measured

The following information is reported to the Board by the Chief Operating Officer and/or the Group Procurement Director to enable it to consider and agree what, if any, changes may be required to our methods and frequency of engagement with our sub-contractors and supply chain:

- Feedback received from a survey which is issued following the annual conference to help improve the conference in the following year.
- Availability of supply of materials and services to support our build delivery programme despite shortages and/or challenges in the industry.

Interests and concerns

Through the engagement activities undertaken, the following areas were identified as the key interests and concerns of our sub-contractors and supply chain:

- Safety and health of their employees working on our sites.
- Sustainability and carbon reduction.
- Prompt payment.
- Ability to meet demand for materials.

Outcomes from engagement

- Positive feedback regarding our leadership on sustainability issues ranging from carbon and waste, to ensuring we uphold our commitments to modern slavery and the real Living Wage.
- Long term relationships between sub-contractors, suppliers and the divisions which ensured that delivery and performance standards were mutually understood and enabled us to secure materials to support build requirements during a period of shortage of certain components.
- Ability to introduce strategies to retain trades which remains a constant challenge.
- Better understanding on the availability of carbon emission data, and the challenges associated with reporting this data.

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

- To hold an additional conference with sub-contractors and the supply chain to further enhance relationships.
- To increase the frequency at which the availability of materials is reviewed and considered by the Board.
- Refined the GHG emissions factors we use for specific products and services to improve the accuracy of the baseline and yearly emissions performance.
- Considered the impact of future policy, such as carbon pricing, based on the information obtained through engagement.

Banks

Why we engage

For the business to continue in operation it needs to ensure that it has sufficient finance and working capital to settle liabilities, manage working capital, respond to changes in the economic environment, and take advantage of appropriate land buying and operational opportunities to deliver strategic priorities. In addition, it is important to understand the banks views on the market and their risk appetite for lending as well as identifying ways in which the parties can collaborate to support mutual customers.

How we engage

We believe that using these methods of engagement is the best way of ensuring continued mutual understanding of our respective businesses and of the services the banks can provide to us and to our customers. Virtual meetings proved an effective way to meet with a number of banks in a short period of time.

1. Meetings and webcasts

- The Chief Financial Officer, Head of Treasury and Head of Mortgage Lender Relations held update meetings and calls after the annual results with each of the Banks in the RCF. The Chief Financial Officer and Head of Treasury also met USPP investors. Additional calls and meetings were held as appropriate throughout the year including after our half year results.
- We provided updates on the progress being made in terms of sustainability whilst the banks informed us of the new initiatives they have, such as sustainability linked RCFs, and how these may impact the business and the credit market.
- Head of Treasury has a schedule of regular diarised calls on a one to one basis with counterparties at the RCF banks.

2. Mortgage lender relations

- Structured regular meetings are held with a broad spread of lenders by the Head of Mortgage Lender Relations. Additional attendees at these meetings in FY21 were the Chief Executive and the Group Sales and Marketing Director, as mortgage lending became more challenging following the relaxation of COVID-19 measures and in advance of the cessation of the Help to Buy scheme.
- We continue to work with mortgage lenders to encourage development of green mortgage products, which factor the energy efficiency of our homes into mortgage assessment processes.
- A call was arranged with the top ten mortgage lenders, with the Chief Executive and Group Sales and Marketing Director, dedicated to the discussion of sustainability and the environment.
- We continued to engage with a panel of recommended mortgage brokers through one to one meetings.

KPIs – How is effectiveness measured

The following information is reported to the Board by the Chief Financial Officer to enable it to consider and agree what, if any, changes that may be required to our methods and frequency of engagement with our banks:

- The banks' willingness to engage with us and discuss new opportunities to support us and our customers.

Interests and concerns

Through the engagement activities undertaken, the following areas were identified as the key interests and concerns of our banks:

- Sustainability – our progress, the potential for sustainability linked RCFs and possible green mortgage products for our customers.
- New high LTV lending products for our customers.

Outcomes from engagement

- Opportunity for the Group to discuss the market environment and recent trends and for the banks to discuss the Company's latest results and broaden their understanding of the Company.
- Better knowledge and understanding for the banks of sustainability and environmental issues and direction of travel for the housebuilding industry.
- Through our existing relationships with our recommended mortgage brokers, we were able to engage with a broader range of mortgage lenders for our customers.
- Gained a greater understanding of each other's priorities and agreed overlapping objectives, with a view to evolving improved lending terms for energy efficient homes.
- Clearer understanding of banks' concerns around climate risk and carbon mitigation, and our response to this.

Effect of engagement with banks on Board decisions

- Agreed to support two projects (HBF Mortgage Indemnity Scheme and Market Mortgage) to support 95% lending on new build houses and flats in addition to the Government Indemnity Scheme.



Local communities

Why we engage

It is important for us to engage with communities in which we build to ensure that we are responding to local needs and are able to create value. Regular and open engagement helps ease the whole build process, in particular planning, as it mitigates against objections from members of the community which could lead to undue delay and increased costs.

How we engage

We use a range of engagement methods to enable the local communities to better understand how we can benefit them, and encourage them to ask us questions to increase their awareness of what we do and why. Making information available online means it can be more readily accessed by a wider audience.

1. Meetings and forums

- To ensure community needs and considerations are taken into account at the earliest stages of development, we hold meetings which all local residents are welcome to attend. At these meetings we seek their views on our plans and look to incorporate their suggestions. This year we held these forums virtually in order to remain COVID-secure.
- Planning meetings were also held virtually until 7 May 2021 at which point the temporary regulations that enabled virtual meetings expired. As no alternative arrangements were in place, and social distancing requirements continued, this caused delays to the planning procedures meaning members of the public were unable to engage with the process. We value the input of local communities and will continue to engage with them through the planning process.

- Engagement with local schools, to inform schoolchildren about site safety, in line with our commitment to keeping people safe, but also to provide an opportunity to teach children about the construction process, the careers available, and the environmental and sustainability initiatives that we have implemented to create sustainable homes and places to live. An example of this is the new site safety films for schools which were produced featuring our mascot Site Safety Steve, showing the hazards and danger of children playing on building sites. In addition to the films, packs for schools were also produced with quizzes, spot the difference sheets and certificates for pupils who had completed all activities.

2. Written communication (including signage)

- We write to local residents to inform them of our development plans, and seek their input on how we can ensure the development has a positive impact on the local community. We also write to inform them of upcoming works that have the potential to cause disruption, such as highway and infrastructure works.
- We use signage in and around our sites to demonstrate our credentials and the value our activities bring to local communities. This is true of local, regional and national scales, where we highlight jobs and businesses supported, green space created and retained, and section 106 contributions to local infrastructure and services. This year we have used our signage to share a broader range of messages – for example we have developed a toolkit for our divisions to promote our partnership with the RSPB around our sites, demonstrating our commitment to protecting and enhancing nature to local people.

- Local media and newspapers remain an important tool for engagement. We publicise the opening of new developments and positive news stories about charitable or other beneficial activities with local news outlets to promote our credentials as a responsible business that looks to do the right thing.
- We listen to residents’ concerns about the impact of our activities on the natural environment, and work with them to find solutions that are acceptable to all parties.
- We promote the resilience and sustainability credentials of our innovative homes to the wider community, especially in low carbon emissions and waste management.
- We are sponsoring the Regional Property Journalist of the Year Award and are a judge at the Property Press Awards – reflecting the importance with which we regard regional property writers and journalism. This is also why we have a network of seven PR agencies promoting the business to national, regional and local media.

3. Charitable giving and volunteering

- Our charitable partnerships are a crucial part of our strategy for community engagement. This year, we have established the Barratt Developments PLC Charitable Foundation, through which all our charity work is now conducted. We encourage our divisions to forge partnerships with local charities focused on the needs of the communities in which they operate. Each of our 27 divisions is given £1,000 per month to spend on local good causes and provided with match funding. Employees also undertake volunteering in the communities in which we operate (see Employee engagement section on page 46).
- In spring, we ran a nationwide campaign in support of The Tommy Club. This is a positive initiative from the RBLI, raising money and providing welfare and support for our Armed Forces veterans. We installed 300 Tommy figures at our show homes around the country, and sent this story out to local media timed to coincide with VE Day. This generated lots of positive media coverage and local goodwill.

KPIs – How is effectiveness measured

The following information is reported to the Board by the Chief Operating Officer to enable it to consider and agree what, if any, changes may be required to our methods and frequency of engagement with our local communities:

- The extent of local opposition to our developments and level of planning appeals. We are proud that 95% of the units we build are approved at a local level and do not require a planning appeal.

Interests and concerns

Through the engagement activities undertaken, the following areas were identified as the key interests and concerns of our local communities:

- Our local, regional and national socio-economic footprints, impact on the environment and availability of green spaces.
- Disruption to local areas during construction of our developments including noise and air pollution.
- Safety and protection of members of the community around developments.

Outcomes from engagement

- Enhanced understanding of the needs of local communities
- Development of community relationships creating a positive legacy from building great places to live, with the facilities people need to help local communities thrive.
- Charitable activities that deliver a range of benefits, including enabling us to work closely with local people to deliver tangible benefits for communities, and building strong relationships with existing communities.
- Engaging with schools and connecting with local families, to share key messages such as how we keep people safe and allowing us to further understand what matters most to the community.

Effect of engagement with local communities on Board decisions

- Review of development layouts to ensure that there is appropriate green/open space.
- Launched the ‘Nature on Your Doorstep’ project, with the RSPB to inspire and advise members of communities on how to turn their outdoor spaces into havens for wildlife – whether it be a garden, balcony, yard or community greenspace.





Government and regulators

Why we engage

Government and regulators set the legal and regulatory environment in which we operate. It is therefore vital that they understand the industry and the effect of any proposed changes. Engagement with these stakeholders enables the Company to gain an insight into future legislation or regulation which allows it to prepare for potential changes in a timely manner for the benefit of our customers and the business.

How we engage

We use a range of methods of engagement to provide Government and regulators with accurate information about the housebuilding industry and the wider housing sector, which they can use to develop policies that tackle their goals (whether enhancing housing supply, quality or energy efficiency), whilst minimising adverse impacts on the sector and our customers. The methods employed on any given occasion will be dictated by the specific issue, and will be decided on by senior figures with experience of stakeholder and Government engagement, coordinated by our Corporate Affairs team.

1. Written Correspondence

- Letters to Ministers, MPs and other senior figures to inform them about challenges facing the industry, the impacts of certain policies, and to tell them more about some of the activities we are proud of. For example, we kept Government and regulatory stakeholders updated about our response to the pandemic, our support for our employees, partners and local communities and how our sites and workplaces are COVID-secure.
- We respond to Government consultations on relevant policy areas, such as Planning for the Future White Paper and the Future Homes Standard. In addition, we provide insight on upcoming legislation, such as the Environment Bill and the Building Safety Bill.

2. Meetings, discussions and forums

- Representatives of our senior leadership team met virtually with regulators and Government figures, to discuss specific policy issues and the housebuilding environment more generally.
- We provided evidence to the Housing, Communities and Local Government Select Committee on the proposed planning reform.
- We spoke at a fringe event at the virtual Conservative Party Conference and are exploring the various party conferences in 2021. Engaging in these events provides a better understanding of how each party will support the housing industry going forward.
- Our Chairman, John Allan, chaired the COVID Recovery Commission, examining the impact of COVID-19 on the Government’s Levelling-Up agenda and how the country can emerge from the pandemic stronger, fairer and more resilient.
- This year, due to the increased profile and urgency around sustainability and planning issues, we have increased our participation in roundtable discussions covering the housing market and housing policy.
- We are looking to participate in activities around the United Nations Climate Change Conference (COP26) in Glasgow in November 2021.
- As part of our determination to be the leading national sustainable housebuilder we understand the importance of engaging closely with Government and regulators on sustainability issues, to create solutions to shared problems at the pace appropriate to the scale of transformation required. We have seen this engagement increase during the past year:
  - We are members of the Government’s Green Jobs Taskforce, a joint BEIS and Department of Education initiative, that has produced recommendations for delivering the skills required to achieve net zero;

- We continue to sponsor the Net Zero APPG, and our Group Sustainability Director contributed to their decarbonisation report, “Putting Net Zero at the Heart of UK Policy” as well as attending the roundtable discussions;
  - We sponsored an event on the Green Recovery and the Built Environment, hosted by The House magazine, and our Group Sustainability Director sat on a panel discussion about how to decarbonise the built environment;
  - Our Chief Executive attended a roundtable meeting with the Housing Minister to discuss the Future Homes Standard and low carbon heating of new homes; and
  - We have worked with the Government’s Net Zero Business Champion on how the housebuilding sector can help the country reach net zero, attending meetings and signing up to the UN Race To Zero campaign.
- We sponsor the West Midlands APPG, which focuses on issues including devolution, infrastructure, skills, investment and innovation in the region. We are now working with them on a report that looks at the future of strategic planning in the West Midlands, which will be published later this year and have joined sessions on skills and economic growth.
  - We also sponsored the Women and Work APPG, an area of focus for us as we work to encourage more women to choose a career in the housebuilding industry.
  - We are founding members of the Government’s Early Adopters Group, which led to the creation of an industry-wide Building Safety Charter, promoting positive culture and behaviour change in the safety of the built environment.

3. Site visits

- We regularly offer Government and regulatory stakeholders the opportunity to visit our sites and meet people at all stages of the housebuilding process, from trainee apprentices to our award winning senior site managers, however this has not been so easy in the year under review.
- During the year, we hosted COVID-19 secure visits from the Prime Minister Boris Johnson on our Great Oldbury site in Gloucestershire, and the Chancellor of the Exchequer Rishi Sunak on our Hayes Village site in West London as well as the Housing Minister, the Mayor of the West Midlands, and local MPs from the Conservative, Labour and Scottish National Party.

KPIs – How is effectiveness measured

The following information is reported to the Board by the Chief Executive to enable it to consider and agree what, if any, changes may be required to our methods and frequency of engagement with the Government or regulators:

- We plan and measure proactive and reactive engagement with key political stakeholders, allowing us to ensure we maintain constructive relationships with policy-makers on issues that affect our customers, communities and our business.
- We track interactions, including email correspondence, meeting attendance as well as site visits. This activity helps to build strong local and national connections, as well providing insight and experience directly to government on key operational and customer issues from sustainability standards to modern methods of construction.
- We report on our responses to government consultations and emerging legislation on relevant policy areas, such as Planning for the Future White Paper, the Future Homes Standard and the Environment Bill. This includes tracking the volume of responses as well as the policy and legislative outcomes.

Interests and concerns

Through the engagement activities undertaken, the following areas were identified as the key interests and concerns of the Government and the regulators:

- Sustainability – Government and regulatory understanding of the key challenges and opportunities from a housebuilder’s perspective in achieving a net zero carbon economy.
- Housing demand and supply, and planning reform.
- Cladding and firestopping issues in respect of high rise buildings.
- The impact of COVID-19 and easing of restrictions on the economy.

Outcomes from engagement

- Built relationships with Government and regulators in order to deliver new homes at the volume levels required.
- Government and regulators gain a better understanding of the challenges faced by the industry and the importance of the sector to the wider economy and society.
- Seen as leading the sector on sustainability through engagement with the Government to find solutions that create value for the sector, our key stakeholders, the environment and local communities.
- The Government agreed with our request for a long-term roadmap that acknowledges the timescales involved in housebuilding and gives certainty to the supply chain and skills providers to invest in the technology required to achieve net zero.
- Able to understand what decisions or potential regulatory changes are being considered in order to be prepared in terms of workforce and skills planning and mitigating any impact on supply chains, minimise disruption to our operations and safeguard the supply of new homes.

Effect of engagement with Government and regulators on Board decisions

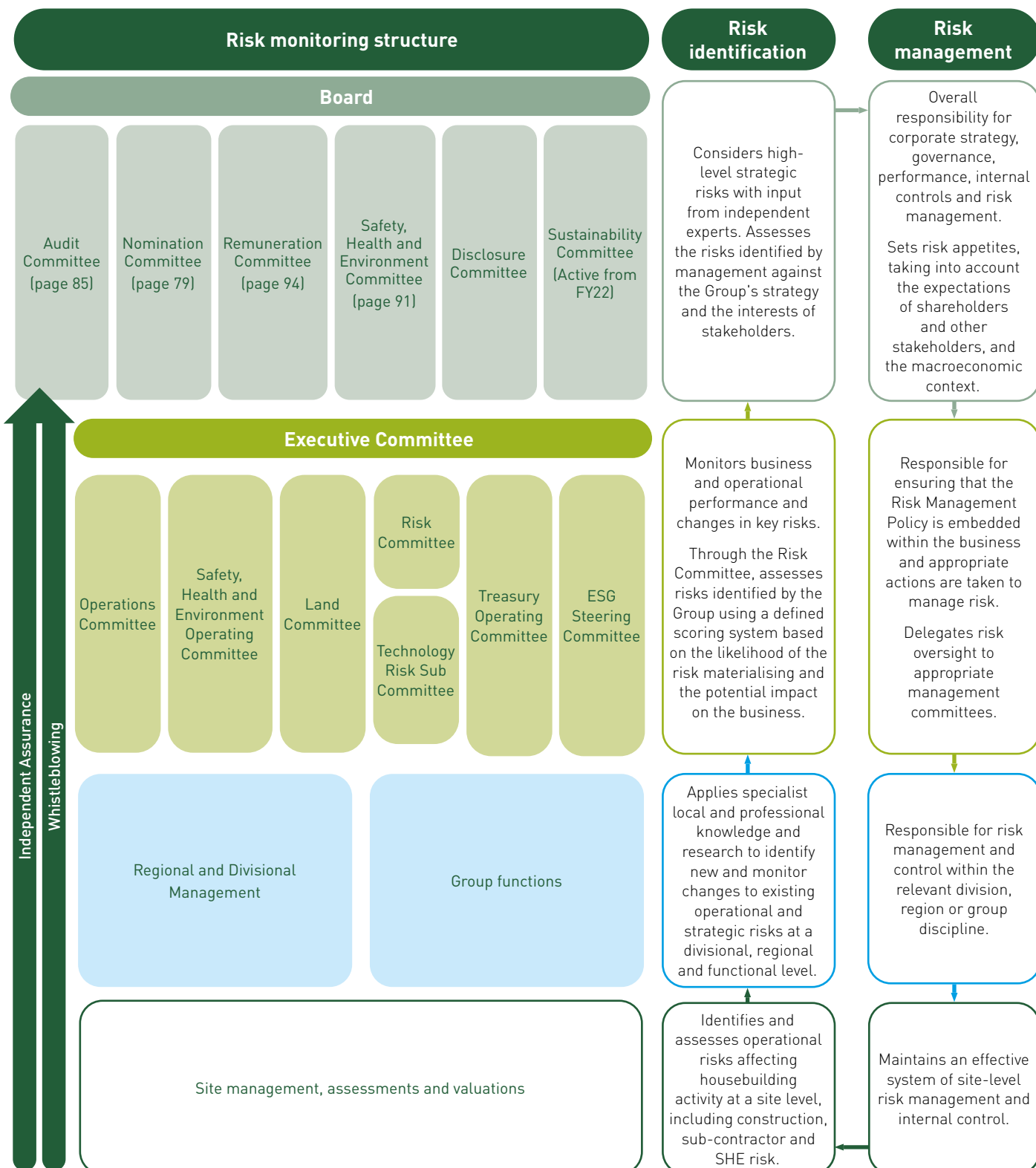
- Key Government asks are ensuring equal access to growth in a green economy, influencing public behaviour to reduce energy demand and high quality skills and training in green construction. The Board continues to seek ways in which the business can support this, for example undertaking research and development into alternative heat sources and adopting different methods of energy efficiency construction whilst setting challenging sustainability targets for the business to strive to achieve.
- Broader understanding of Government policy and regulation and the environment in which we operate.
- Greater understanding of the key drivers for housing policy at a national and local level and impact on the land bids.
- Better idea of the potential legislation for example around biodiversity net gain and the Future Homes Standard. This helps to plan investment and set targets such as all new houstypes to be zero carbon in use from 2030.

## Risk management

In pursuing our strategic priorities to create value for stakeholders, we experience risk. The Board is responsible for the overall stewardship of risk management and ensuring the Group maintains the appropriate level of risk to achieve its objectives.

The risks facing the Group, separately or in combination, could have a material adverse effect on the implementation of the Group strategy, our business, financial performance, shareholder value and returns, and reputation. Changes in the economic or trading environment can affect the likelihood and potential impact of risks, and may give rise to new risks.

Risk management controls are integrated into all levels and operations of our business and across all our operations, including at site, divisional, regional and Group level. The roles and responsibilities of the Board, its Committees and all levels of management in the identification and management of risk are summarised below.



↓ Our SHE team completed over 5,000 site inspections during FY21, working with Site Managers to ensure the safety of our workforce.



The business continues to operate under BSC-accredited COVID-19 working practices and protocols. The risks associated with the pandemic are reducing as the country progresses with its vaccination programme and lifts the restrictions on its economy. Nonetheless, the current public health situation, the potential for future variants, and subsequent economic or operational disruption, remain factored into the assessment of risk.

Climate change and the risk of a significant nationwide unexpected event affecting multiple locations have been newly classified as principal risks to the Group. A study of our approach to climate risk is on page 65. The potential disruption from a significant nationwide event was made evident from the COVID-19 pandemic, though this also demonstrated the effectiveness of the Group's business continuity action plan.

After a review of its current and forecast exposure, the Group no longer considers joint venture and consortia to be a principal risk. We will continue to work with our industry partners to develop land opportunities where it is mutually beneficial to all parties and presents value to our stakeholders.

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

## Overall assessment

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

The current risk profile is within our tolerance range; the Group is willing to accept a moderate level of operational risk to deliver financial returns.

There may be instances in which these risks could have a moderate adverse impact on the Group, be it financially or operationally. To ensure that the Group's business model remains resilient over the medium and long term, the Group has modelled these scenarios alongside achievable mitigating actions. The results are presented in the Viability Statement on page 67.

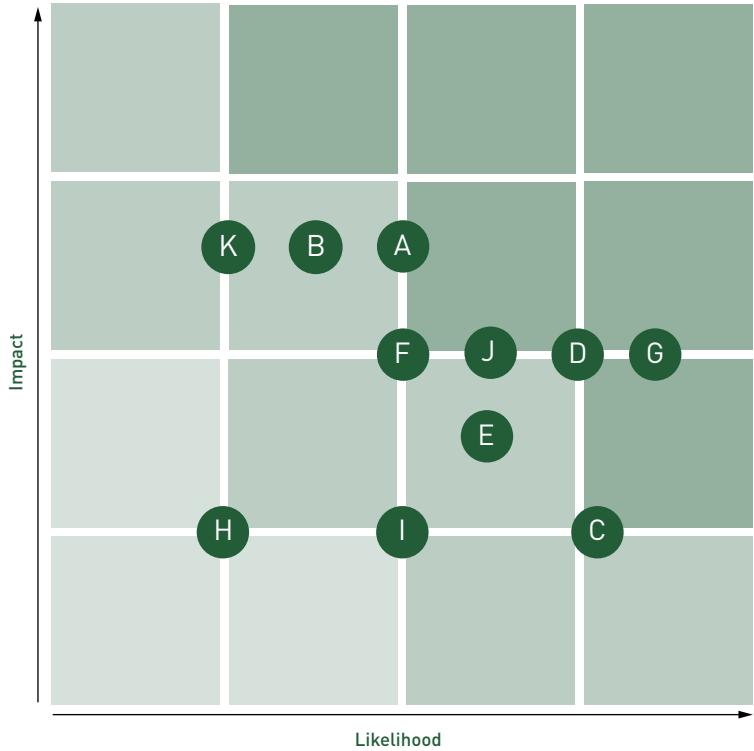


Principal risks

The Group has identified 11 principal risks that it considers to be of material operational impact and likelihood:

- A Economic environment, including housing demand and mortgage availability
- B Land availability
- C Government regulation and planning policy
- D Construction
- E Availability of raw materials, sub-contractors and suppliers
- F Safety, health and environment
- G Attracting and retaining high-calibre employees
- H Availability of finance and working capital
- I IT
- J Climate change
- K Significant nationwide unexpected event affecting multiple locations

Heat map of principal risks net of mitigation



These risks are detailed on pages 58 to 63, categorised by the strategic priorities to which they relate. Risk levels are presented net of mitigation. Emerging risks are detailed on page 64. The illustration of the probability does not consider the relative size of any associated financial or reputational impact of each item.

Customer first

A Economic environment, including housing demand and mortgage availability

Risk level	M	↓	
Risk appetite	M	—	
Responsibility: Executive Committee			
Risk description	Current status	Response/mitigation	Key risk indicators
Changes in the UK macroeconomic environment may lead to falling demand or tightened mortgage availability, on which the majority of our customers are reliant, reducing the affordability of our homes.	Uncertainty persists over the recovery of the economy from COVID-19 following the lifting of legal restrictions and the cessation of the furlough scheme.	<ul style="list-style-type: none"><li>Continual monitoring of the market at a Board, Executive Committee, regional and operating divisional level, leading to amendments in the Group's forecasts and planning as necessary.</li><li>Comprehensive sales policies, regular reviews of pricing in local markets and development of good working relationships with mortgage lenders.</li><li>Quarterly site valuations based on the latest market data.</li><li>Disciplined operating framework with an appropriate capital structure and strong balance sheet.</li><li>Working with industry and the banks on the development of alternative mortgage products for customers for when Help to Buy ends.</li></ul>	Gross and operating margins, PBT, ROCE, EPS, TSR, total home completions.
An inability to meet customers' needs will lead to reduced sales volumes and affect our ability to provide profitable growth.	The Government's Help to Buy scheme is now restricted to first time buyers and within regional price caps and is due to end in March 2023.  However, demand for housing remains strong and mortgage approvals have shown a sharp recovery with some improvement in terms on offer (see page 09).		

Great places

B Land availability

Risk level	<div><div>M</div><div>—</div></div>	Risk appetite	<div><div>M</div><div>—</div></div>	Responsibility: Land Committee
Risk description	Current status	Response/mitigation	Key risk indicators	
<p>The inability to secure sufficient consented land and strategic land options at appropriate cost and quality in the right locations to enhance communities.</p> <p>Securing favourable sites that meet our margin and site ROCE hurdle rates will enable volume growth.</p>	<p>Geographically diverse land bank across the country, with 4.7 years owned and controlled land.</p> <p>Whilst focusing on optimising our existing land bank, during the year we achieved planning on 14,280 plots, and have detailed or outline planning permission on all of our FY22 expected home completions and 95.5% of expected home completions for FY23.</p>	<ul style="list-style-type: none"><li>• All potential land acquisitions are subject to formal appraisal and approval by the Land Committee.</li><li>• Group, regional and divisional review of land currently owned, committed and identified against requirements.</li><li>• Formal relationship management with key land suppliers, landowners and local authorities.</li><li>• Review by Land Committee and management on strategic land and sites.</li><li>• Land forum and academy training events.</li><li>• Appropriate usage of strategic land.</li></ul>	<p>Land approvals (plots).</p>	

C Government regulation and planning policy

Risk level	M	—	
Risk appetite	L	↓	
Responsibility: Operations Committee			
Risk description	Current status	Response/mitigation	Key risk indicators
Changes in the regulatory environment affect the conditions and time taken to obtain planning approval and technical requirements including Building Regulations, increasing the challenge of providing quality homes where they are most needed.	The Government continues to reiterate its commitment to facilitating the provision of new homes, but the planning process remains lengthy and complex.	<ul style="list-style-type: none"><li>Considerable in-house technical and planning expertise focused on complying with regulations and achieving implementable planning consents that meet local requirements.</li><li>Robust and rigorous design standards for the homes and places we develop that exceed current and expected statutory requirements.</li><li>Policies and technical guidance manuals for employees on regulatory compliance and the standards of business conduct expected.</li><li>Consultation with Government agencies, membership of industry groups to help monitor, understand and plan for proposed regulation change.</li></ul>	Gross and operating margin, PBT, ROCE, EPS, TSR, total home completions.
Sufficient, appropriate planning permissions on new sites will enable the Group to deliver disciplined volume growth at our target margins.	Consultation is ongoing regarding the proposed Residential Property Developer Tax, expected to be introduced in April 2022.		
	Changes to Building Regulations, such as the Future Homes Standard effective in 2025, will increase design requirements.		

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

Leading construction

D Construction			
Risk level <span>H</span> <span>—</span>	Risk appetite <span>L</span> <span>—</span>	Responsibility: <b>Operations Committee</b>	
Risk description	Current status	Response/mitigation	Key risk indicators
Failure to achieve excellence in construction, through delays from adverse conditions, a failure to identify cost overruns promptly, design and construction defects, and deviation from environmental standards.  Delays or deficiencies in construction could increase costs, expose the Group to liabilities, and result in poor product quality, reduced selling prices and sales volumes.  Inefficiency and competitive disadvantage from a failure to develop and implement new and innovative construction methods.	Whilst it started the year emerging from the first national lockdown, the Group has recovered its construction activity close to pre-pandemic levels.  The Group has again been recognised for its commitment to quality through its NHBC construction quality scoring and success in the Pride in the Job Awards.  In prioritising the safety of residents, the Group continues to incur costs on safety improvements on certain legacy properties (see page 16).  The Group is further increasing the use of MMC to address skilled employee shortages and reduce its environmental impact.	<ul style="list-style-type: none"><li>Executive Committee, regional and divisional reviews and quarterly site valuations assess expected margins.</li><li>Continuous review of quality of design and materials, which are both evaluated by external and internal technical experts, including the NHBC, to ensure compliance with all building and other regulations.</li><li>Monitoring and improving the environmental and sustainability impact of construction methods and materials.</li><li>Appropriate insurance cover.</li><li>Detailed build programmes and quality reviews.</li><li>Implementation of MMC by design and technical teams.</li><li>Rigorous testing and analysis of new technologies before full implementation.</li><li>Dedicated project team, supported by external experts, responsible for reviewing legacy properties.</li></ul>	Customer service, total home completions, gross margin, operating margin, PBT, ROCE, EPS, construction waste intensity and carbon intensity reduction.

E Availability of raw materials, sub-contractors and suppliers			
Risk level <span>M</span> <span>↓</span>	Risk appetite <span>L</span> <span>—</span>	Responsibility: <b>Operations Committee</b>	
Risk description	Current status	Response/mitigation	Key risk indicators
Shortages or increased costs of materials and skilled labour or the failure of a key supplier.  Maintaining sufficient material and skilled sub-contractor availability will enable disciplined growth in the provision of high-quality homes.  Failure to do so may lead to increased costs and delays in construction.	The pressure on labour supply is currently moderate, reflecting the recovery in construction. Uncertainty remains over the impact of changes to the rights of EU, EEA and Swiss citizens to work from July 2021.  We have fixed price agreements in place for 96% of centrally procured materials to December 2021 and 71% to June 2022. Around 10% of the Group's materials, by spend, are imported and a further 30%, by spend, contain some imported components.	<ul style="list-style-type: none"><li>Adhere to the Prompt Payment Code to support the liquidity of our partners.</li><li>Centralised team procures the majority of the Group's materials from within the UK including subcontractor materials, ensuring consistent quality and cost.</li><li>Development of long-term supplier and sub-contractor partnerships with all significant supply agreements fixed in advance, usually for 12 months.</li><li>Key supplier audit programme to assess risks to the reliability of supply continuity.</li><li>Requirement to develop multiple supplier relationships for both labour contracts and material supplies, where possible, with contingency plans should any key supplier fail.</li><li>Control of build and material costs throughout build programmes.</li></ul>	Customer service, gross and operating margin, PBT, ROCE, EPS, TSR, total home completions.

Investing in our people

F Safety, health and environment			
Risk level <span>M</span> <span>↓</span>	Risk appetite <span>L</span> <span>—</span>	Responsibility: <b>Safety, Health and Environment Operating Committee</b>	
Risk description	Current status	Response/mitigation	Key risk indicators
Health and safety or environmental breaches can result in incidents affecting employees, sub-contractors and site visitors, and undermine the creation of a great place to work.  SHE breaches affect the wellbeing of our employees and could result in reputational damage, criminal prosecution and civil litigation, and delays in construction or increased costs.	The Group continues to focus on health and safety, ensuring consistent controls are in place to reduce accidents and injuries.  The Group IIR rate has unfortunately increased to 416 for the year (2020: 256) per 100,000 persons employed (including sub-contractors), see page 15.  BSC-accredited COVID-19 working practices and protocols remain in place at sales centres and construction sites, though the risk has diminished as the UK's vaccination programme has progressed.	<ul style="list-style-type: none"><li>Nominated social distancing marshal present on all sites.</li><li>Internal committed health and safety team.</li><li>Regular health and safety monitoring, internal and external audits of all operational units, and regular Senior Management reviews of developments.</li><li>Continued reinforcement of Group SHE policies and procedures.</li><li>Dedicated SHE Board and SHE Operations Committee that review key performance indicators and improvement plans.</li><li>Quarterly performance reviews by divisional management within all operating units.</li><li>Independent reviews of our SHE processes.</li></ul>	Health and safety (SHE audit compliance).





G Attracting and retaining high-calibre employees			
Risk level <span>H</span> <span>↑</span>	Risk appetite <span>M</span> <span>—</span>	Responsibility: <b>Executive Committee</b>	
Risk description	Current status	Response/mitigation	Key risk indicators
Failure to recruit and/or retain the best people so our employees and business can benefit from the available development opportunities.  Development of skilled employees is critical to delivery of the Group's strategy of profit and volume growth through quality and efficiency.	The industry continues to face a skills shortage, further affected by the changes to the rights of EU, EEA and Swiss citizens to work from July 2021.  Competitiveness for employees in the operational business has increased as the economy has re-opened after the pandemic.	<ul style="list-style-type: none"><li>Comprehensive human resources programme including apprenticeships, a graduate development programme, succession planning and training academies tailored to each discipline.</li><li>Signatory to the Armed Forces covenant and recruiting through our Armed Forces Scheme.</li><li>Ongoing monitoring of employee turnover and absence statistics and feedback from exit interviews.</li><li>Annual employee engagement survey to measure employee satisfaction.</li><li>Remuneration benchmarking against industry competitors.</li><li>Signatory to the Social Mobility Pledge.</li></ul>	Employee engagement score.

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



Underpinning all priorities

H Availability of finance and working capital

Risk level  		Risk appetite  		Responsibility: Treasury Committee	
Risk description	Current status	Response/mitigation		Key risk indicators	
Unavailability of sufficient borrowing and surety facilities to settle liabilities, manage working capital, respond to changes in the economic environment, and take advantage of appropriate land buying and operational opportunities to deliver strategic priorities.	<p>The Group closed the year with net cash of £1,317m. It has a £700m RCF to November 2024 and holds £200m of fixed rate USPP notes that mature in 2027.</p> <p>Management have stress-tested the Group’s resilience to a severe but plausible realisation of risks and, consider the funding available to be sufficient.</p>	<ul style="list-style-type: none"><li>Committed bank facilities and private placement notes of around £900m with maturity on the RCF in 2024 and the USPP in 2027.</li><li>Policy requiring minimum headroom of £150m of drawings against committed facilities.</li><li>Disciplined operating framework with an appropriate capital structure.</li><li>Assessed the medium and long-term viability of the business model (see page 67).</li></ul>		Average net cash, minimal year end indebtedness.	

I IT

Risk level <span>M</span> <span>—</span>		Risk appetite <span>L</span> <span>—</span>	Responsibility: <b>Technology Risk Sub-committee</b>	
Risk description	Current status	Response/mitigation	Key risk indicators	
The Group continues to integrate its IT systems to enhance control and drive efficiency. The failure of any of these systems, particularly those relating to customer information, surveying and valuation, could restrict the Group's operations and disrupt progress in its strategic priorities. Failure to comply with data regulations could also incur significant financial penalties and reputational damage.	<p>The threat of external cyberattacks and phishing attempts persists with several high-profile incidents being reported in the media during the year.</p> <p>The Group continues to invest in its IT infrastructure, including the implementation of a new site valuation system during the year.</p>	<ul style="list-style-type: none"><li>Centrally maintained IT systems.</li><li>Fully tested disaster recovery programme.</li><li>Regular reviews to seek to reduce the risk of successful cyberattacks.</li><li>GDPR-compliant business processes and data management.</li><li>Technology Risk Sub-Committee provides oversight of technology risk.</li><li>Group-wide compliance and policies on passwords and transferring data to third parties.</li></ul>	Customer service, gross and operating margin, PBT, ROCE, EPS.	

Underpinning all priorities

J Climate change

Risk level	M (New)	Risk appetite	M (New)	Responsibility:	Executive Committee
Risk description	Current status		Response/mitigation		Key risk indicators
<p>In the short-to-medium term, Government regulations and customer and investor expectations will require the Group to further enhance its sustainable business practices.</p> <p>In the long term the Group must adapt to the physical changes to the climate in which it operates.</p>	<p>A great global effort is required to keep climate change below 1.5°C and avoid the most severe effects of climate change.</p> <p>The UK Government has set a target to reduce emissions by 78% by 2035, aiming to become net zero carbon by 2050.</p> <p>Local planning authorities are declaring climate emergencies, many with ambitions of carbon neutrality by 2030.</p> <p>The introduction of the Future Homes Standard in 2025 and the potential for overheating due to increased average temperatures in summer requires the Group to reassess its designs.</p> <p>The increased frequency of extreme weather disrupts construction and requires our developments to be resilient to its effects.</p>		<ul style="list-style-type: none"><li>Established the new Board Sustainability Committee and management ESG Steering Committee to oversee the business response to climate risks (see page 66).</li><li>Committed to reduce the Group’s operational and indirect carbon emissions significantly, including those from its completed homes and its supply chain (see page 23).</li><li>Review of Future Homes Standard, effective in 2025, to adapt and plan for compliance.</li><li>Undertaken a detailed climate risk and opportunities review in consultation with internal business experts and external consultants (see page 65).</li><li>Progressed scenario analysis to determine the resilience of the Group’s business model under different climate related scenarios (see pages 65 to 66).</li></ul>		Carbon intensity, waste intensity.

K Significant nationwide unexpected event affecting multiple locations

Risk level <span>M</span> (New)	Risk appetite <span>M</span> (New)	Responsibility: <span>Executive Committee</span>	
Risk description	Current status	Response/mitigation	Key risk indicators
A significant unexpected event, such as the COVID-19 pandemic or the failure of national infrastructure, could have a material impact on our business.	<p>As businesses further integrate communications and technology into their operations, the likelihood of a significant event with a nationwide impact increases.</p> <p>Whilst the Group has demonstrated its ability to continue trading throughout the pandemic, the emergence of new variants of COVID-19 could again disrupt operations.</p>	<ul style="list-style-type: none"><li>Reviewed business continuity plans in place for possible failures in communications or infrastructure, covering operations at a national and local level.</li><li>Stress-testing of the Group’s available financing facilities to ensure resilience to a sudden economic shock.</li></ul>	Total indebtedness/surplus.

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

Emerging risks

L Social trends

Risk level	L	Risk appetite	M	Responsibility: Operations Committee	
Risk description	Current status		Response/mitigation		Key risk indicators
Social and Demographic changes resulting in significant change to the demand profile for our products and developments. Social developments drive changes in customers' expectations of the service they receive, the ways in which they communicate with the Group, and the manner in which the Group engages with its stakeholders. The Group continues to monitor social trends as an emerging risk.	The Group's marketing must remain relevant to the latest developments in communications and social media or it will fail to engage with new customers.		<ul style="list-style-type: none"><li>Weekly monitoring of our media performance, including monitoring of our competitors and other industry best practice.</li><li>Procurement of a social media specialist team to monitor and advise usage.</li><li>Communications and investor relations teams regularly assess the effectiveness of the Group's messaging.</li><li>Replacing the CRM system with an online customer portal that allows for easy communication throughout the customer experience.</li><li>Active working party focused on delivering the diversity and inclusion strategy to ensure the business is representative of, and acts in the interests of, all within the communities in which we operate.</li></ul>		Customer service.
	Our customers expect timely and relevant communication throughout the sales process through channels that fit their lifestyle.				
	Our customers increasingly consider the Group's social and environmental impact when deciding to buy our homes. The Group must highlight the value it creates for communities and wider society.				
	The pandemic and resultant increase in home working has changed the way in which living spaces are used.				

Climate related risk

Understanding and responding to climate change

During the year, in response to developing climate science, government action and the concerns of our stakeholders, the Board classified Climate-related risk as a principal risk to the Group. To fully understand the implications of climate change, the Board instigated a detailed review of the key risks and opportunities to the Group's business model, considering both the physical effects of changing weather and the economic and regulatory transitions required for society to either mitigate climate change or adapt to a new environment. This involved consulting with external experts to determine possible climate outcomes and senior management representing disciplines from across the Group.

The risks and opportunities identified are detailed below:

Key climate-related risks and opportunities

Key transition risks		Our response
Short term	Government legislation designed to reduce home emissions, for example the Future Homes Standard, require changes to house specifications.	Adapting our home designs to meet the Future Homes Standard (see page 29).
	Government legislation designed to reduce emissions, for example through carbon taxation on suppliers, increased material costs, amplified by an increased demand for low-carbon materials.	
Long term	Implementation of new technologies in homes and methods of construction, requiring high capital investment and upskilling of labour.	Science-based targets for emissions reductions, including a road map for the delivery of zero carbon homes from 2030 (see page 19).
	Decreasing availability of viable land due to planning and site infrastructure requirements from government and local authorities.	
Key physical risks		Our response
Short term	Reduced supply availability (for instance timber) as a consequence of changes in climate patterns and extreme weather events where the supply is sourced.	Research into design changes to mitigate overheating in homes in at risk areas.
	Increased costs of site infrastructure required to mitigate extreme weather events, for example flood barriers and balancing ponds.	
	Disruption to build activity due to increased frequency of severe weather such as extreme hot or cold temperatures or heavy precipitation. Damage to construction sites from extreme weather events.	Continued adoption of modern methods of construction that use sustainable materials and construction methods resilient to severe weather (see page 29).
	Long-term changes in climate patterns, such as prolonged increased temperatures in summer, require changes to house specifications.	
Key opportunities		Our response
Short term	Green financing opportunities for low carbon housing developments bring about low finance costs.	Working with building societies, banks and other financial institutions in the development of Green Mortgages.
	Eligibility for green mortgages and cost savings from energy efficiency result in new homes that are more affordable to our customers.	
Long term	Increased demand for homes that are both resilient to extreme weather events and also low carbon in nature.	Building an example future home in conjunction with the University of Salford to demonstrate the benefits of sustainable living.
	Increased land buying and local partnership opportunities through strong low-carbon and sustainability credentials .	

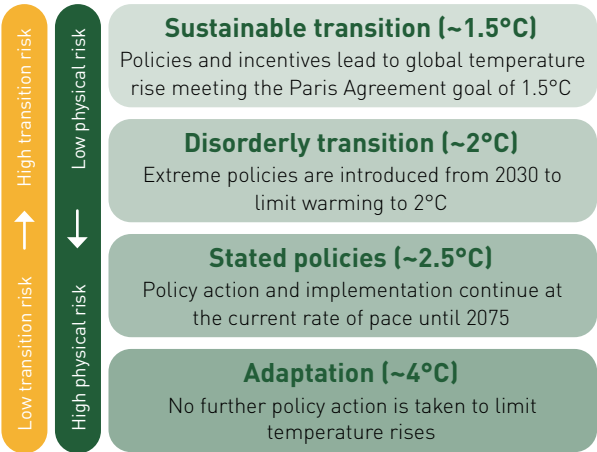
Resilience of our business model

To ensure that the Group will continue to thrive under a changing climate, it is undertaking an analysis of the resilience of its business model and future strategy to possible climate scenarios.

Management have determined four scenarios that reflect varying manifestations of physical and transition (to a lower carbon economy) risks, presented to the right. These scenarios have been developed using publicly available data from the Representative Concentration Pathways and Shared Socio-Economic Pathways under independent expert advice.

The Group's performance will be modelled under each scenario in FY25, FY30 and FY40, reflecting key dates in the Group's continued progress in sustainable development. The Future Homes Standard is effective in FY25, the Group's Science based targets are set to 2030, and we are committed to becoming an operationally net zero carbon business by 2040. Scenario modelling will allow the Group to demonstrate that achieving these targets will ensure that our business will be resilient to all plausible climate-related outcomes.

The outcomes of this analysis will be presented in the Annual Report and Accounts for the year ended 30 June 2022.





# Climate related risk CONTINUED

## Understanding and responding to climate change

### Reflecting risk in the Financial Statements

The Group has reviewed its long-term assets and liabilities in light of the climate risks and opportunities identified.

The expected costs of the Future Homes Standard, and design changes required to mitigate overheating in homes have been factored into estimates of costs to complete on sites described in note 2.3 of the Financial Statements on page 133. They are therefore reflected in the carrying values of inventories and the margins we recognise on sites on which future completions will be affected.

We assess our proposed land acquisitions and strategic land options using the latest flooding reports to assess the viability of sites and the impairment assessment of land described in note 3.1 to the Financial Statements on page 139.

The carrying value of goodwill and intangible assets is compared to the value-in-use of the Group's housebuilding business to check for potential impairment, as described in note 4.2.3 to the Financial Statements on page 146. This requires the forecasting of future cash flows, into which the impact of current enacted climate-related regulations are factored.

### Future oversight of climate related risk

The assessment of and response to climate risk is a key consideration in the Group's future strategy. Climate related risks and opportunities, reviewed regularly, are submitted to the Risk Committee as part of the Group's standard risk management process.

During the year, the Board has examined its strategy for integrating sustainable thinking into all levels of planning and operations. In order to ensure that its sustainability framework is adopted throughout the business, the Board has established a new Sustainability Committee, which will meet for the first time in FY22. It will review and sign off the Building Sustainably Framework, including performance and targets, debate and scrutinise the business response to climate risks and opportunities, including the mitigation of related financial risks, and the embedding of major business processes required to facilitate this. It will be supported by the ESG Steering Committee, a body of senior management established in September 2020 responsible for managing the response to climate risks and opportunities and implementing the Framework.



### Progress against TCFD recommendations

In December 2020, the FCA amended the Listing Rules to require compliance with the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD). This is effective for the Group for the Annual Report and Accounts for the year ended 30 June 2021.

The Board fully supports the imperative to integrate climate risk into its strategy and to communicate its response to the Group's stakeholders. The Group already reports against many of the TCFD recommendations and is committed to achieve full disclosure for FY22.

Our progress against the TCFD's guidelines, and our future plans in each area, are as follows:

Section	Progress made	Focus for 2022
Governance	A sustainability governance review was undertaken and its recommendations fed into the development of the Sustainability Committee and management of sustainability related activities across the business.  The Board continue to undertake training on the impacts of climate change.	As a starting point, from FY22 annual incentive arrangements will include a target around construction waste reduction, and three-year long term incentive plan awards will include carbon intensity reduction targets.
Strategy	We assessed the short to long term physical and transitional climate change risks and opportunities for the business.  We have disclosed our most material risks and opportunities, and published strategies to mitigate these risks, including our roadmap for a net zero transition. Read more on page 65.	We will complete scenario analysis of the Group's resilience to climate change, the outcomes of which will further inform the Group's strategy.
Risk management	We undertook a high level climate risk management process engaging business owners across all key functions, the results of which have been integrated into the enterprise-wide risk framework. Read more on page 65.	We will measure the potential financial effects of climate risks and opportunities and, based on the outcomes, develop the mitigation activities necessary to respond, including engagement with our wider stakeholders.
Metrics and targets	We report our Scope 1 to 3 GHG emissions and energy consumption data annually, plus progress against our direct and purchased energy-related science-based targets. See page 21.  We also report on our use of renewable energy. Read more on page 19.	We will establish KPIs for our net zero strategy and science-based targets, and continue to analyse all direct emissions across our value chain in order to set further Scope 3 targets.

# Viability statement

### Going concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the Financial Statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these Financial Statements. (More information on the going concern judgement can be found in note 1.3 to the Financial Statements.) For this reason, the Directors continue to adopt the going concern basis in the preparation of these Financial Statements.

### Viability statement

In accordance with the Code, the Directors have assessed the prospects and financial viability of the Group over the longer term, considering both its current position and circumstances, and the potential impact of its principal risks. The Group's business model is presented on pages 10 and 11 and its future prospects are primarily monitored through the risk management processes detailed on page 56.

For the long term viability statement, the Directors consider that a three-year review period is appropriate. This period is aligned to our operating framework of a 3.5 year owned land bank, and the Group's bottom-up three-year planning and forecasting

cycle, which considers a wide range of information relating to present and future business conditions, including those impacting on expected profitability, cash flows, and funding requirements.

The Group's business plan reflects measures the Group continues to adopt to prioritise the safety of our employees, sub-contractors and customers during the COVID-19 pandemic and incorporates the likely market impact of the planned changes in the Help to Buy scheme in 2023. The Group is forecast to remain profitable and sustainable throughout the forecast period.

The Group continues to be subject to its principal risks, which are detailed in pages 58 to 63. In particular, there remain economic uncertainties. This Viability Statement considers the impact that these risks (particularly those related to the economic environment and availability of finance and working capital) might have on its ability to meet its targets in current market conditions over the review period.

To assess the Group's resilience to adverse outcomes, its forecast performance over the three-year period, including dividends, was sensitised to reflect a series of scenarios based on the Group's principal risks and the downside prospects for the UK economy and housing market presented in the latest external economic forecasts. This assessment included a reasonable worst-case scenario in which the Group's principal risks manifest to a severe but plausible level. The assessed risks, for which the impacts were applied in aggregate, were as follows:

Principal risk	Impact modelled
Economic environment, including housing demand and mortgage availability.	A decline in demand, leading to a 5% reduction in private and affordable average selling prices and a fall in sales volumes of between 7 and 9% across the viability review period.
Cost and availability of raw materials, sub-contractors and suppliers.	A 5% increase in the cost of materials and labour arising from shortfalls in supply.

Where necessary, mitigating actions were modelled that would be adopted by the Group in response to these circumstances. These primarily involved a reduction in investment in inventories in line with the fall in expected sales.

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

Based on this review, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. Assessing the Group's prospects beyond the review period, the Directors consider that the demand for high-quality new homes will remain strong due to long term undersupply. The Group has maintained a well-capitalised balance sheet and operates a resilient business model focused on quality and customer service. As a result, the Group is well placed to grow towards its medium term target of 20,000 wholly owned completions per annum. Through this, disciplined land acquisition and the optimisation of performance across build and sales, the Group will continue to target a minimum gross margin of 23% and ROCE of 25%.

The Strategic Report on pages 2 to 67 was approved by the Board and is signed on its behalf by

**David Thomas**  
Chief Executive

1 September 2021

# Board of Directors

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



**John Allan**  
Non-Executive Chairman


N

R

**Appointment to the Board:**  
John joined the Board as a Non-Executive Director in August 2014 and became Chairman in November 2014.

**Skills and qualifications:**  
John has significant board, business and retail experience gained from both the commercial and financial sectors. John was President of the CBI from 2018 to 2020, stepping down to become Vice President until October 2021. He was CEO of Exel PLC and, when it was acquired by Deutsche Post in 2005, he joined the board of Deutsche Post, becoming CFO in 2007 until his retirement in 2009. John was also chair of Dixons Retail plc, and, following its merger with Carphone Warehouse, was deputy chair and senior independent director of Dixons Carphone until 2015. He was also previously a non-executive director of Worldpay Group PLC (where he was previously Chair), National Grid plc, the UK Home Office Supervisory Board, 3i plc, PH5 Group plc, Connell plc, Royal Mail plc, Wolseley plc and Hamleys plc, and chair of London First.

**External appointments:**  
John is currently Chairman of Tesco PLC, Chair of the Council at Imperial College and a regent of the University of Edinburgh.



**David Thomas**  
Chief Executive Officer

D

**Appointment to the Board:**  
David joined the Board as an Executive Director and Group Finance Director in July 2009, and was appointed Chief Executive in July 2015. David has taken on the role of Chief Financial Officer on an interim basis after Jessica White stepped down on 30 June 2021, until such time as Mike Scott, the new CFO, joins the Group.

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

**External appointments:**  
David is a Non-Executive Director of the HBF and is also a Trustee of the Barratt Developments PLC Charitable Foundation.



**Steven Boyes**  
Chief Operating Officer and Deputy Chief Executive

S

**Appointment to the Board:**  
Steven joined the Board as an Executive Director in July 2001 and subsequently Chief Operating Officer in July 2012. He became Deputy Chief Executive in February 2016 and is responsible for the Group's housebuilding operations.

**Skills and qualifications:**  
Steven has over 40 years' experience in the housebuilding industry, having joined us in 1978 as a junior quantity surveyor and progressing through the business to assume the roles of Technical Director and Managing Director of Barratt York, before being appointed Regional Director for Barratt Northern in 1999. Steven was also previously a trustee of the UK Green Building Council.

**External appointments:**  
Steven holds no external appointments.



**Nina Bibby**  
Non-Executive Director

A

N

R

**Appointment to the Board:**  
Nina joined the Board as a Non-Executive Director in December 2012.

**Skills and qualifications:**  
Nina brings a wealth of marketing experience to the Board. She was formerly Chief Marketing Officer at O2 (Telefonica UK) until July 2021, and Global Chief Marketing Officer at Barclaycard, the payments subsidiary of Barclays plc, until 2013. Prior to Barclaycard, Nina was Senior Vice President, Global Brand Management at InterContinental Hotels Group plc, and worked at Diageo plc, latterly as Commercial Strategy Director.

**External appointments:**  
Nina is currently a Trustee for the Great Ormond Street Hospital Children's Charity.



**Jock Lennox**  
Senior Independent Director

A

N

R

**Appointment to the Board:**  
Jock joined the Board as a Non-Executive Director in July 2016 and became Senior Independent Director on 4 May 2021.

**Skills and qualifications:**  
Jock, a Chartered Accountant, brings significant business and finance experience to the Board. He was Chairman of Hill and Smith Holdings plc and Enquest plc, stepping down from both positions in 2019. Jock was previously Senior Independent Director of Oxford Instruments plc and Non-Executive Director and Chairman of the Audit Committees of Dixons Carphone plc and A&J Mucklow Group plc. He also spent 30 years with Ernst & Young LLP, holding several leadership positions in the UK and globally, including 20 years as a partner.

**External appointments:**  
Jock was appointed Chairman of Johnson Service Group PLC in May 2021 and is Chair of the Audit Committee Chairs' Independent Forum.



**Sharon White**  
Non-Executive Director

A

N

R

**Appointment to the Board:**  
Sharon joined the Board as a Non-Executive Director in January 2018 and became Designated Non-Executive Director for Workforce Engagement on 4 May 2021.

**Skills and qualifications:**  
Sharon brings to the Board over 25 years' experience in the public sector, combined with strong employee stakeholder experience, as Chair of the John Lewis Partnership, the UK's largest employee-owned business. Her previous roles include Chief Executive of Ofcom and Director General, Public Spending and Second Permanent Secretary to HM Treasury. She has also held roles at the British Embassy in Washington, the No 10 Policy Unit, the World Bank and various Government departments including the Department for International Development, the Department of Work and Pensions and the Ministry of Justice.

**External appointments:**  
As well as Chair of the John Lewis Partnership, Sharon is Deputy Chair of Sadlers Wells, a contemporary dance company.

Key

A

N

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D

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Audit Committee

Nomination Committee


Remuneration Committee

Disclosure Committee

Safety, Health and Environment Committee

Chair of Committee

### New Appointments



**Katie Bickerstaffe**  
Non-Executive Director

A


N

R

**Appointment to the Board:**  
Katie joined the Board as a Non-Executive Director on 1 March 2021 and took over as Chair of the Remuneration Committee with effect from 4 May 2021.

**Skills and qualifications:**  
Katie brings to the Board extensive experience of business transformation in a variety of functions, together with considerable marketing expertise. She was a Non-Executive Director at Marks and Spencer Group PLC, and previously Executive Chair of SSE Energy Services, where she led its separation from SSE plc and subsequent sale to OVO Group Ltd. She was also a Non-Executive Director of SSE Plc and Chair of its Remuneration Committee until 2018.

**External appointments:**  
Katie is Joint Chief Operating Officer at Marks and Spencer Group PLC and a Non-Executive Director of the England and Wales Cricket Board.



**Chris Weston**  
Non-Executive Director

A

N

R


S

**Appointment to the Board:**  
Chris joined the Board as a Non-Executive Director on 1 March 2021 and took over as Chair of the Safety, Health and Environment Committee with effect from 4 May 2021.

**Skills and qualifications:**  
Chris brings to the Board considerable commercial experience, driving performance and growth, including as Chief Executive Officer at Aggreko Limited and as Managing Director, International Downstream at Centrica plc. Chris joined Centrica after a successful career in the telecoms industry working for Cable & Wireless Plc and One.Tel.

**External appointments:**  
Chris is Chief Executive Officer at Aggreko and a Non-Executive Director on the board of the Royal Navy.

### Company Secretary



**Tina Bains**  
Company Secretary


D

**Appointment to the Board:**  
Tina was appointed to the role of Company Secretary in January 2016.

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

**External appointments:**  
Tina is a Trustee of the Barratt Developments PLC Charitable Foundation.

### Other directors who served during FY21




**Jessica White**  
Chief Financial Officer

D

**Appointment to the Board:**  
Jessica joined the Board as an Executive Director and Chief Financial Officer on 22 June 2017 and stepped down from this position with effect from 30 June 2021.

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

**External appointments:**  
Jessica holds no external appointments.



**Richard Akers**  
Senior Independent Director

R

S

A

N

**Appointment to the Board:**  
Richard joined the Board as a Non-Executive Director in April 2012 and became Senior Independent Director in November 2016. He became the Company's first Designated Non-Executive Director for Workforce Engagement in 2019. After nine years of service, Richard stepped down from his Board positions on 4 May 2021.

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

**External appointments:**  
Richard is a Non-Executive Director and Senior Independent Director of Shaftsbury plc. He is also a Non-Executive Director of Unite Group plc. He was appointed a Non-Executive Director of Redrow PLC on 1 June 2021, following his resignation from the Barratt Board.



Executive Committee and Regional Managing Directors

Executive Committee

The Executive Committee consists of:

**David Thomas**  
Chief Executive

**Steven Boyes**  
Chief Operating Officer and  
Deputy Chief Executive

**Jessica White**  
Chief Financial Officer  
(until 30 June 2021)

**Tina Bains**  
Company Secretary

**Jeremy Hipkiss**  
Group Sales and Marketing Director

**Nick Worrall**  
Group HR Director

Biographies for David, Steven, Jessica and Tina can be found on pages 68 – 69.

The biographies for Jeremy and Nick are as follows:



**Jeremy Hipkiss**  
Group Sales and Marketing Director

Jeremy is responsible for the Group’s overall sales, marketing and customer experience strategy and delivery. In addition, Jeremy has executive responsibility for IT, business change and sustainability. He is also a Trustee of the Barratt Developments PLC Charitable Foundation.

Career and experience:

Jeremy joined the Group in 2008 and has wide experience in marketing and retail operations, having held a similar role at the Spirit Group. Prior to that, Jeremy worked for Allied Domecq PLC and Marston’s PLC, having graduated in Economics at Leeds University.



**Nick Worrall**  
Group HR Director

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

Career and experience:

Nick joined the Group in January 2021 from Countryside Properties PLC where he was Group HR Director for six years. Before joining Countryside, Nick was HR Director at Brighthouse and Centrica plc, and Head of HR at National Grid plc, having begun his career in a variety of different roles at Barclays plc. Nick is also a Main Board Trustee of the Anglia Ruskin University Students’ Union and Chair of its HR sub-committee.

Regional Managing Directors

From 1 July 2020 until 1 April 2021, the Group operated through five geographic housebuilding regions. From 1 April 2021, the Group has reverted to operating from six geographic housebuilding regions. The Group also has a commercial division, Wilson Bowden Developments. The Regional Managing Directors and Managing Director of Wilson Bowden Developments are as follows:



**Mike Roberts**  
Regional Managing Director – Northern

Mike is responsible for the Group’s operations in the Northern Region, which consists of four divisions. He is also responsible for the Group’s commercial function.

Career and experience:

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



**Richard Brooke**  
Regional Managing Director – East

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

Career and experience:

Richard joined the Group in 2007 following the acquisition of Wilson Bowden plc, where he was Operations Director and previously Finance Director for David Wilson Homes Limited. He was appointed to his current position in July 2008.



**Gary Ennis**  
Regional Managing Director – London, Southern and (until 1 April 2021) West

Gary is currently responsible for the Group’s operations in the London and Southern Region, which consists of six divisions. He handed over responsibility for West to Bernard Rooney on 1 April 2021.

Career and experience:

Gary joined the Group in 1995. Formerly Managing Director of Barratt North London, he was appointed Regional Managing Director of Southern in January 2006, of London in October 2016, and West on 1 July 2020.



**Doug McLeod**  
Regional Managing Director – Scotland

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

Career and experience:

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



**Dave Hesson**  
Regional Managing Director – Central

Dave is responsible for the Group’s operations in the Central Region, which consists of five divisions.

Career and experience:

Dave joined the Group in March 2020 as Regional Director, and was appointed to his current position in 1 April 2021.



**Bernard Rooney**  
Regional Managing Director – West

Bernard is responsible for the Group’s operations in the West Region, which consists of three divisions. In addition, he heads up Barratt Partnerships, which is responsible for identifying and securing public land and partnering opportunities.

Career and experience:

Bernard joined the Group in 1981 as Managing Director of Barratt Newcastle, and was appointed as Regional Managing Director of the Central Region in July 2010. He was appointed to his current position on 1 April 2021.



**Nick Richardson**  
Managing Director – Wilson Bowden Developments

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

Career and experience:

Nick joined Wilson Bowden plc in 1991 and was appointed to his current role in 1999. Nick joined the Group in 2007 following the acquisition of Wilson Bowden plc. Nick is a Chartered Surveyor.

Corporate governance report

Introduction and overview

Governance at a glance

Corporate governance statement of compliance

The Company is subject to the Code, which was issued by the FRC in 2018. The Code can be found on the FRC’s website, [www.frc.org.uk](http://www.frc.org.uk). The Board confirms that throughout the year ended 30 June 2021, and as at the date of this report, the Company has complied with all relevant provisions set out in the Code, except for Provision 38 (executive director pension contributions) with which, as set out on page 100, the Company will comply by 1 January 2023. This report, together with the reports from the Nomination, Audit, SHE and Remuneration Committees and the other statutory disclosures, provides details of how the Company has applied the principles of the Code (pages 68 to 114). The Company has also complied with the relevant requirements of the FCA’s Disclosure and Transparency Rules and the FCA’s Listing Rules, BEIS’ Directors’ Remuneration Reporting Regulations and Narrative Reporting Regulations and the FRC’s Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Highlights

- Reviewed Group’s long term strategy, capital structure and viability.
- Agreed to pay back CJRS funding and business rates tax relief received on showhomes and sales offices.
- Continued to monitor and make decisions relating to legacy properties.
- Established the Barratt Developments PLC Charitable Foundation.
- Established a new Sustainability Committee to commence work from early FY22.
- Appointed two new Non-Executive Directors to refresh the Board, and implemented succession planning outcomes for a number of Board positions.
- Reinstated dividend payments for FY21.
- Oversaw the appointment of Mike Scott as CFO and determined his remuneration and that of Jessica White on her resignation.
- Monitored and challenged, where necessary, management’s assessment of material risks relating to climate change.
- Agreed ESG measures to be used for the FY22 annual bonus and LTPP.

Board and Committee attendance

Set out below is the number of Board and Committee meetings attended by each director during FY21 while they were a member.

	Board	Nomination Committee	Audit Committee	SHE Committee	Remuneration Committee
John Allan – Chair	10/10	2/2	–	–	4/4
David Thomas – Chief Executive	10/10	–	–	–	–
Steven Boyes – Chief Operating Officer and Deputy Chief Executive	10/10	–	–	2/2	–
Jessica White – Chief Financial Officer	10/10	–	–	–	–
Richard Akers <sup>1</sup> – Senior Independent Non-Executive Director	8/8	2/2	3/3	1/1	3/3
Nina Bibby – Non-Executive Director	10/10	2/2	4/4	–	4/4
Katie Bickerstaffe <sup>2</sup> – Non-Executive Director	2/3 <sup>3</sup>	n/a	1/1	–	2/2
Jock Lennox – Senior Independent Non-Executive Director <sup>4</sup>	10/10	2/2	4/4	–	4/4
Chris Weston <sup>2</sup> – Non-Executive Director	3/3	n/a	1/1	1/1	2/2
Sharon White – Non-Executive Director	10/10	2/2	4/4	–	4/4

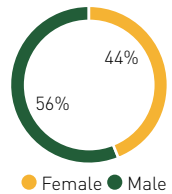
<sup>1</sup> Stepped down 4 May 2021. <sup>2</sup> Appointed 1 March 2021. <sup>3</sup> Katie was unable to attend one Board meeting due to a clash with a Marks & Spencer Board meeting that had been scheduled prior to her joining the Board.

<sup>4</sup> Became Senior Independent Director on 4 May 2021.

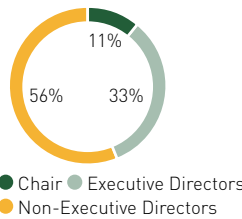
Board composition statistics

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

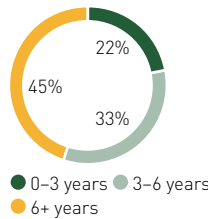
Gender diversity



Independence



Board tenure



Board Skills and experience

All Directors are expected to devote the time necessary to fulfil their responsibilities and duties to the Company, and to do so with the highest standards of integrity. Each Director has demonstrable experience, skills and knowledge with which they enhance Board effectiveness and each complements the skills and experience of other Board members so as to achieve an overall balance on the Board. A summary of the Directors’ skills is set out below, with further details of the previous experience and particular skills of each Director given on pages 68 and 69.



















Skill	Number of Directors
Housebuilding	10
Property Industry	10
Leadership	10
Finance/Accounting	10
Retail	10
Public Policy	10
Marketing	10
Governance	10
Sustainability	10
Digital	10

Implementation of the Code

Section of the Code	How we have applied the Code	Further information
Board leadership and company purpose		
The Board:	This section details the main activities and outcomes of the Board in FY21 and how governance contributes to strategy.	➔ See pages 73 to 75
i. is responsible for the long term sustainable success of the Company, determines purpose, values and strategy and models the Group's culture;	The Nomination Committee report describes management of conflicts of interest.	➔ See page 80
ii. ensures the necessary resources are available to the Group; and	The Group's purpose, culture and strategy and the Section 172 Statement and information on stakeholder engagement (including engagement with shareholders) are set out in the Strategic Report.	➔ See pages 2 to 67
iii. engages with stakeholders to inform its decisions.		
Division of responsibilities		
The Chair leads the Board, the Executive Directors manage the business on a day-to-day basis and the Non-Executive Directors provide constructive challenge and strategic guidance.	This section outlines: <ul style="list-style-type: none"><li>Board balance, the division of responsibilities and delegations; and</li><li>Chair and Non-Executive Director independence.</li></ul>	➔ See pages 76 and 77 ➔ See page 78
Board policies and processes are in place to ensure that the Board functions effectively and efficiently.	Membership of and attendance at the Board and its Committees is given in Governance at a glance.	➔ See page 71
Composition, succession and evaluation		
The Board regularly reviews its composition to ensure it remains balanced.	This section details: <ul style="list-style-type: none"><li>the main activities of the Nomination Committee and their outcomes;</li><li>the process for Board appointments, succession planning and promotion of diversity and inclusion; and</li><li>Board and committee evaluation actions and outcomes.</li></ul>	➔ See pages 79 and 80 ➔ See pages 80 to 82 ➔ See page 83 and 84
Board appointments are subject to a formal, rigorous and transparent procedure and an effective succession plan is maintained for the Board and Senior Management.	Information on the composition of the Board can be found in Governance at a glance and the Board of Directors.	➔ See page 71
The Board undertakes an annual evaluation of its own effectiveness, that of its committees and of individual Directors.		
Audit, risk and internal control		
The Board is mindful of the risk environment in which it operates when making any decisions and has established formal and transparent policies and procedures to ensure independence and effectiveness of internal and external audit functions.	This section summarises: <ul style="list-style-type: none"><li>the main activities of the Audit Committee and their outcomes;</li><li>the significant issues the Audit Committee considered regarding the financial statements and how they were addressed;</li><li>systems for risk management and internal control and the Audit Committee's review of their effectiveness; and</li><li>the Audit Committee's assessment of the independence and effectiveness of the external audit process and the re-appointment of the External Auditor.</li></ul>	➔ See pages 85 and 86 ➔ See page 87 ➔ See pages 88 and 89 ➔ See page 89 and 90
The Board satisfies itself on the integrity of the financial and narrative statements, and that they present a fair, balanced and understandable assessment of the Group's position and prospects.	The Directors' statement of responsibility for a fair, balanced and understandable Annual Report and Accounts can be found at the end of the Directors' report.	➔ See page 114
It maintains sound risk management and internal control systems and regularly reviews the principal and emerging risks impacting the business.	The Board's assessment of the Group's emerging and principal risks and information on how these are being managed, together with the Viability and Going concern statements, can be found in the Strategic Report.	➔ See pages 56 to 67
The Board assesses the appropriate appetite for risk in striving to achieve the Group's strategic objectives.		
Remuneration		
The Board, through its Remuneration Committee, determines Director and Senior Management remuneration policy and practice in a way that supports the successful delivery of the Group's strategy and promotes its long term sustainable success.	This section sets out: <ul style="list-style-type: none"><li>information on the Group's remuneration policy;</li><li>how it was operated during FY21, including performance-based remuneration outcomes, and how independent judgement and discretion was applied; and</li><li>how the remuneration policy will be applied in FY22.</li></ul>	➔ See pages 97 and 98 ➔ See pages 94 to 96 and 103 to 111 ➔ See pages 94 to 96 and 100 to 102

Main activities undertaken during the financial year

The Board follows an annual agenda to ensure that all key matters are allocated adequate time for discussion. The routine duties of the Board are detailed in the Schedule of matters reserved to the Board (which can be found on the Company's website at [www.barrattdevelopments.co.uk/investors/corporate-governance](http://www.barrattdevelopments.co.uk/investors/corporate-governance)). A description of the key non-routine activities of the Board during the year and how these contributed to the delivery of strategy are as follows:

Key activities and discussions in FY21	Link to strategic priorities and principles
Purpose, strategy, values and culture	
Considered and agreed that the Company's purpose remains appropriate.	    
Continued to monitor the market and the resulting long term risks and opportunities, and agreed to continue with its current strategic objectives which supported the Company's purpose.	
Discussed and agreed potential future strategy opportunities for the Group to explore further.	
Arising from its annual review of Group Policies, the Board strengthened the Group Diversity Policy and Timber Sourcing Policy, and updated its Modern Slavery Statement. These policies can be found on the Barratt website at <a href="http://www.barrattdevelopments.co.uk/investors/corporate-governance">www.barrattdevelopments.co.uk/investors/corporate-governance</a> .	
Monitored and assessed the Company's culture. Details of how this is assessed can be found on page 74. The Board agreed that further work should be done on understanding culture.	
Business performance and resourcing	
Discussed and approved re-entry into the land market following suspension due to COVID-19.	      
Reviewed in depth the Group's material sustainability issues, agreed future priorities and updated the sustainability framework.	
Reviewed progress towards TCFD compliance, undertook sustainability training and agreed to establish a Sustainability Committee to enhance its focus in this important area, and drive progress.	
Agreed that sustainability should be embedded in objectives and remuneration across the business.	
Approved the launch of the Group's Charitable Foundation, with an initial funding line of £2m.	
Reviewed the SHE plan of work, the COVID controls in place, enforcement agency interventions, site monitoring, and IIR. Key areas of future focus were agreed and are set out on pages 91 and 92.	
Discussed Board succession and appointed two new Non-Executive Directors.	
Considered further modern methods of construction for the Group in particular the extension of the utilisation of timber frame across the business.	
Discussed and agreed to fully pay back the CJRS funding received from the Government, and to fully pay back business rates relief and associated grants received on show homes, marketing suites and offices due to COVID-19. Further details can be found on page 75.	
Discussed shareholder distributions and agreed the reinstatement of dividend payments for FY21.	
Authorised a tender process for Registrar and Sharesave administration services and subsequently approved the appointment of Equiniti Group PLC following a transition period.	
Authorised a tracing and reunification process to reunite shareholders with their unclaimed dividends. Shareholders were reunited with £314,000 unclaimed dividends and 64,000 shares.	
Risk management and internal controls	
Reviewed the Company's appetite for risk, identified emerging risks and re-assessed the impact and likelihood of principal risks and uncertainties affecting the business.	  
Continues to work with the CMA in respect of its ongoing investigation into leaseholds.	
As announced in July 2020, the Board agreed that it would pay the cost of the required remedial action on the reinforced concrete frame at Citiscape, which would otherwise fall on leaseholders, despite the Group having no legal liability to cover these costs. Further details are given in the Chairman's Statement on page 7 and the Chief Executive's Statement on page 16.	
Stakeholder engagement	
Reviewed relationships with stakeholders and their views and focus for engagement going forward. Further details of engagement with our stakeholders can be found on pages 44 to 55.	     

Key



Customer first



Investing in our people



Keeping people safe



Being a trusted partner



Ensuring the financial health of our business



Leading construction



Great places



Building strong community relationships



Safeguarding the environment



Culture in the workplace

The Board sets the culture and tone from the top, and is responsible for ensuring that the right culture is embedded throughout the business, including in our dealings with stakeholders. A strong culture that furthers our purpose and is firmly embedded across the workforce underpins our success.

Our culture

Do the right thing

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



↑ Krystle Bowers, Sales Adviser, at our J One Seven development in Cheshire.

**Culture in action:** During FY21, the Board agreed to pay back in full the CJRS funding received from the Government, and to replace cladding on multi-storey buildings and carry out remedial work on the concrete frame at Citiscape, which would otherwise be borne by leaseholders, despite the Group having no legal liability to cover the costs of this work. The Board has also set up a Charitable Foundation to increase focus on charitable giving and help those that need it the most.

Customer focus

Strive to meet the expectations and needs of our customers, both internal and external.



↑ Chloe Fitzgibbon, Sales Adviser, conducts a virtual viewing for a customer.

**Culture in action:** During FY21, we put processes in place to allow customers to view and purchase our homes in safety, to help them to take advantage of the government's Help to Buy scheme before tapering, and also the SDLT holiday before it ended. Innovations included the ability for customers to view homes virtually, and this is being further enhanced with the launch of a new CRM system.

Resilience and adaptability

Look for innovative ways to improve efficiencies across the organisation and recognise there is always room for improvement. Be willing to change the way we do things to meet the requirements of stakeholders as well as those set by legislation or regulation.



↑ Daniel Hancock, Apprentice at our Imperial Park development in Northwich.

**Culture in action:** Customer demand for houses during FY21 has been high, and we have focused on increasing build levels which were adversely affected by site closures at the end of FY20. We have put mechanisms in place for increasing build rates, whilst ensuring that COVID-19 safety measures are not compromised. This included the extension of site opening hours which was enabled by the flexibility of the workforce staggering their working hours, in order to increase numbers on site. We also held short-term buffer stock of key materials to guard against COVID-19 shortages.

Pride in what we do

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



↑ Zoë Stothard, Senior Site Manager, received an NHBC Pride in the Job Award for 2020.

**Culture in action:** We take pride in what we do and have won multiple awards throughout FY21 for quality and service, including an HBF five-star rating for the 12th consecutive year, and 93 NHBC Pride in the Job awards. These are detailed on page 3.

How the Board measures and assesses culture

To enable the Board to identify further actions that may be required to ensure that the culture in our business remains appropriate and embedded, the Board measures and assesses culture in the business, using both internal and external KPIs, and in the following ways:

- **Safety, health and the environment** – there is zero tolerance towards breaches relating to the health and safety of our

employees, suppliers, sub-contractors and the general public. The Group is also conscious of the impact that its operations have on the environment. The Board is updated regularly on health, safety and environmental matters and on any new or ongoing investigations and their outcomes. The SHE Audit compliance KPI is set out on page 41 and other environmental and safety targets are detailed on pages 19 and 20.

- **Customer satisfaction** – This is assessed using customer care survey responses and recommendation scores, (KPIs can be found on page 41), and awards such as the HBF five-star rating and NHBC Pride in the Job awards (details of which can be found on page 3), all of which are regularly reported to the Board.
- **Employee engagement survey** – a survey is conducted annually to assess how the business is meeting the expectations of its employees. It also contains several culture-related questions, to monitor and assess how well the culture is embedded. The results of the survey are reviewed by the Executive and Senior Management team, with key findings reported to the Board. Our 2021 Employee engagement survey has been deferred to October 2021 in order to capture feedback on returning to the office and our new working arrangements.
- **Employee retention** – our employees are our greatest asset. It is important that we do everything that we can to retain them. The Board monitors employee leaver numbers and the steps being taken to attract, recruit and retain employees.
- **Policies and procedures compliance** – Core governance policies are reviewed annually by the Board with employees required to complete a variety of e-learning modules on a regular basis. Completion levels are reported to the Board. Business policies, processes and procedures are reviewed regularly. Our Internal Audit team conduct regular reviews of compliance with policies, processes and procedures, and test that they remain up to date. The team's findings are reported to the Audit Committee and ultimately to the Board. The Internal Audit team also provide updates to the Audit Committee on any matters raised via the Group's whistleblowing procedure (see page 88).

Governance in action



Board consideration of CJRS funding and business rates

As part of its ongoing response to COVID-19, the Board has continued to monitor the health and wellbeing of its workforce, engage with all its stakeholders to understand their views, and to ensure that those views and their interests are considered where decisions are made.

The Board periodically takes decisions where it has to balance the interests of different stakeholders, and does so in the context of its culture. Two examples are given below:

Repayment of CJRS funding:

**The decision:** to repay the CJRS funding made available to the Group by the Government, to pay employees 80% of their salary while furloughed.

**Process:** Initial discussions took place at the June Board meeting. It was agreed to re-visit the issue once further clarification of the financial performance of the Group was obtained. Following a review of the year end results in early July, the Board agreed that returning the CJRS funding was the right thing to do in the interests of its stakeholders.

The considerations of the Board in making its decision were:

- whether the repayment would jeopardise the financial position of the Group, or create a risk for shareholders, employee jobs, or supplier and sub-contractor businesses;
- whether failure to repay the Government would impact the Group's commercial freedoms, for example to re-commence dividend payments to shareholders and deploy capital, in the face of a downturn;
- the timing of any repayment in the context of ongoing uncertainties, including the possibility and extent of any future lockdown;
- the views of employees who, as taxpayers, might consider failure to repay the funding to be at odds with the strength of demand for housing; and
- the reputational risk, and its consequences for different stakeholders, of not repaying the funding.

Repayment of business rates

**The decision:** to repay the business rates relief and associated grants received on show homes and marketing suites as a result of COVID-19.

**Process:** a briefing paper was presented to the Board in March 2021 outlining the value of the reliefs and grants obtained along with the rationale for repaying these sums. The Board, noting the financial strength of the business, decided to repay the amounts received in full.

The considerations of the Board in making this decision were:

- the strong financial position of the Group and the return to payment of dividends to shareholders;
- the reputational risk, and its consequences for stakeholders, of not paying business rates relief and associated grants back to the local authorities; and
- the importance of relationships with the local communities where the business operates.



Board balance

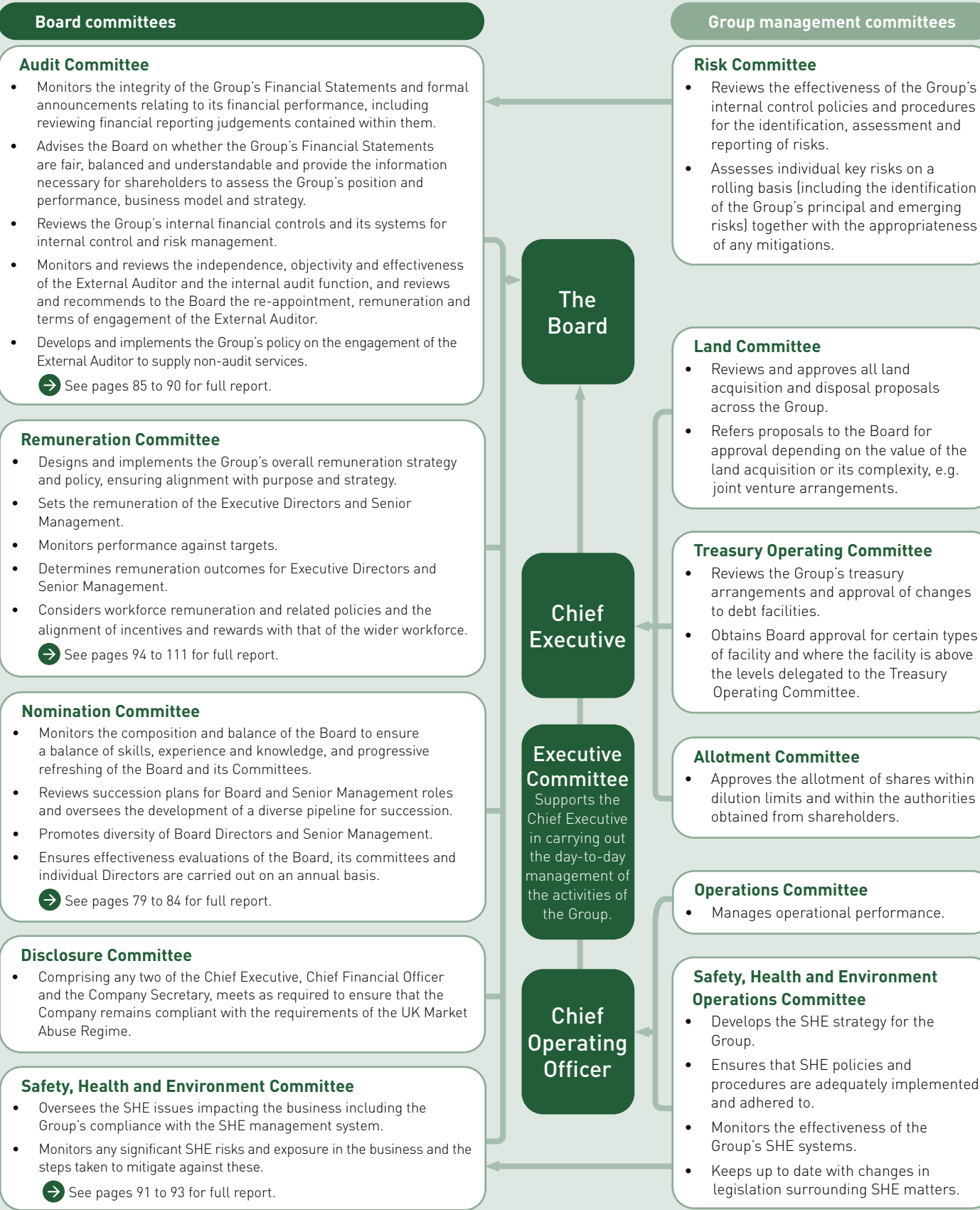
The composition of the Board, including the names, responsibilities and other details of each of the Board Directors, is set out on pages 68 to 69. The Board believes the current balance of Executive and independent Non-Executive Directors remains appropriate having regard to the size and nature of the business, and ensures that the Board’s decision making is not dominated by any single individual or small group. In addition, the combination of the experience, diverse backgrounds, length of service and calibre of the Non-Executive Directors further enhances this balance and the ability to deliver the Group’s strategy whilst mitigating against the risk of ‘group think’. The responsibilities and roles of Board members are clearly defined and set out below.

Board roles and their responsibilities



Decisions, matters reserved to the Board and delegated authorities

The Board takes decisions on strategy and in relation to items set out in the matters reserved for the Board. It has also delegated various operational decisions to several Board and management committees (see below). The schedule of matters reserved to the Board and the Terms of Reference of the Board Committees are available on the Company’s website at [www.barrattdevelopments.co.uk/investors/corporate-governance](http://www.barrattdevelopments.co.uk/investors/corporate-governance). During the year, it was agreed to set up a Sustainability Committee to report to the Board on ESG strategy and associated matters. Further details are provided in Climate related risk on page 66. The Committee will present its first report to shareholders in FY22.





Board independence

The Company considers all its Non-Executive Directors to have been independent in character and judgement during the financial year, and recognises the importance of them remaining so in order to carry out their respective roles effectively. John Allan was considered to be independent on appointment to the Board and on taking the role of Chair. This year's review of Directors' conflicts of interest confirmed that none of the Non-Executive Directors have any business or other relationship with the Group (or other outside interests) that might influence their independence or judgement.

None of the Non-Executive Directors, or the Chair, have been an employee of any Group companies or had a material business relationship with them. None of them have close family ties with any of the Company's advisers, directors or senior employees, or holds cross-directorships or has significant links with other directors. None of them represents a significant shareholder. Following nine years' service, Richard Akers stepped down from the Board on 4 May 2021. Therefore, none of the Non-Executive directors have served on the Board for more than nine years.

The commitment that the Chair and each of the Non-Executive Directors have to the business has been demonstrated during the year, through their attendance at several unscheduled Board calls convened at short notice to discuss a variety of issues requiring decisions outside the normal scheduled meetings. The Chair and the Non-Executive Directors meet regularly without the Executive Directors being present, usually prior to or immediately following Committee meetings, and have held eight of these meetings during the financial year.

Internal controls and risk management

The Board monitors and regularly reviews the effectiveness of the Group's risk management and internal control systems, including controls related to the material financial, operational and compliance performance (see the Audit Committee report on pages 85 to 90).

The Internal Audit team has developed a risk framework for all business functions, which has been approved by the Audit Committee. This framework forms the basis of the internal control audit plan for the year ahead, which tests if key controls are being applied effectively in each

operating division. Material issues identified during internal audits and follow-up action plans are reviewed by the Executive Directors and by the Board as necessary. Any necessary actions are immediately taken to remedy any significant failings in the internal control system. Further details of the work undertaken by Internal Audit can be found on page 89.

The Group's system of internal control is designed to manage risks that may impede the achievement of the Group's business objectives, and identify and appropriately manage activities where there is a high risk of corruption (including bribery) amongst employees, partners or intermediaries, rather than to eliminate those risks entirely. The system of internal control therefore provides only reasonable, not absolute, assurance against material misstatement or loss. The system of internal control does, however, provide reasonable assurance that potential issues can be identified promptly and appropriate remedial action taken. Further details can be found in the risk management section of the Strategic Report (pages 56 to 66).

The Group operates internal controls to ensure that the Group's Financial Statements are reconciled to the underlying financial ledgers. A review of the consolidated accounts and Financial Statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected.

We continue to cooperate fully with the Metropolitan Police on the ongoing investigation we instigated in 2016 regarding possible misconduct in our London business. As stated in October 2016, we do not anticipate any materially adverse financial effect and our London business continues to operate well.

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

Fair, balanced and understandable

The Board has considered whether the Annual Report and Accounts are fair, balanced and understandable. As part of their considerations, the Board has reflected on the feedback shareholders provided in respect of our 2020 Annual Report and Accounts. It has also set aside adequate time to review and discuss significant areas of the 2021 Annual Report and Accounts. The Board assessed the tone, balance and language of the document being mindful of the requirements of the Code and the need for consistency between the narrative section of the Annual Report and the Financial Statements in arriving at its conclusion. It also received a paper from the Company Secretary explaining the process that had been undertaken to provide assurance to the Audit Committee that the report was 'fair, balanced and understandable'. The Board's formal statement on the Annual Report and Accounts being fair, balanced and understandable is contained within the Statement of Directors' Responsibilities on page 114. The process undertaken by the Audit Committee to assist the Board in their assessment can be found on page 88. After considering the paper from the Company Secretary, and following its own reflections, the Board was happy to endorse the recommendations of the Audit Committee that the FY21 Annual Report and Accounts are fair, balanced and understandable.

On behalf of the Board

John Allan  
Chairman

1 September 2021

Nomination Committee report

Board composition, succession and evaluation



“I am confident that the refreshed Board will continue to drive our strategy forward and progress our objectives and priorities in FY22”

John Allan  
Chair of the Nomination Committee

Statement from the Chair of the Nomination Committee

I am pleased to present the Nomination Committee report for the financial year ended 30 June 2021. The Nomination Committee is given its authority by the Board, with responsibilities summarised on page 77, and acts in accordance with its Terms of Reference (see page 80). The Nomination Committee plays a vital role in ensuring that our Board and Senior Management comprise the right individuals to deliver our strategy.

There have been a number of changes to the Committee's membership during the year. I would like to welcome Katie Bickerstaffe and Chris Weston, who joined the Committee on 1 March 2021. Both have a range of skills and experience that complement existing members but also enhance the commercial experience on the Committee. In addition, after nine years' service, Richard Akers stepped down on 4 May 2021 and I would like to thank him for his service.

Board changes and succession planning

In FY21, we saw a number of changes to the composition of the Board. On 1 March 2021, Katie Bickerstaffe and Chris Weston joined the Board, following a comprehensive recruitment process as outlined on page 81. Their appointments were in response to the Committee identifying the possible requirement for the appointment of new independent Non-Executive Directors, given that Richard Akers and Nina Bibby would complete nine years' service during 2021.

On 4 March 2021, we announced that Jessica White, Chief Financial Officer, was stepping down from the Board for personal reasons. Jessica agreed to stay on the Board until the end of the financial year and remain employed by the Group until the end of July, to enable the search for her replacement to be concluded and to support the Group through its financial year-end.

On 4 May 2021, Richard Akers stepped down as a Non-Executive Director on completion of his nine years of service. Consequently, Jock Lennox, who has both in-depth knowledge of our business and a wealth of Board experience, was appointed as the Senior Independent Director. Katie Bickerstaffe and Chris Weston took over the roles of Chair of the Remuneration Committee and the SHE Committee respectively on the same date. Sharon White has taken over as the Designated Non-Executive Director for Workforce Engagement.

In June, we announced that Mike Scott will join the Board as Chief Financial Officer at a date to be agreed. Mike, currently Chief Financial Officer at Countryside Properties PLC, has extensive financial experience in the housebuilding sector and elsewhere, and we look forward to him joining us.

I am confident that the refreshed Board will continue to drive our strategy forward and progress our objectives and priorities in FY22.

Skills and experience of the Board

As part of the recruitment process for the new Independent Non-Executive Directors, the Nomination Committee reviewed the composition, skills, experience and diversity of the Board and its Committees. This highlighted the need to identify candidates with experience of chairing a Remuneration Committee, with financial experience to support the Chair of the Audit

Committee, and experience in ESG, a topic of importance to our strategy and which has increased focus from our stakeholders. Katie brings valuable experience to the Remuneration Committee, and Chris brings experience in sustainability and health and safety matters, alongside considerable commercial expertise.

Diversity and inclusion

Diversity and inclusion continues to be an important part of the Nomination Committee's agenda. This year, the Nomination Committee took the opportunity to review its Board Diversity policy in detail to ensure it remains fit for purpose. The scope of the Board Diversity policy was widened to include diversity in a broader sense rather than just focusing on gender. The Board continues to meet the requirements of the Parker review 'Beyond One by '21', in respect of ethnic diversity, and is committed to only work with executive search consultants that have adopted a voluntary code of conduct addressing diversity in its widest sense. The Nomination Committee also ensured that the Board considered whether diversity and inclusion across the wider business was being progressed satisfactorily. Further information on the Company's progress on diversity and inclusion initiatives can be found on page 82 and in the Strategic Report on pages 32 and 33.

FY22 priorities

Our key priorities for FY22 are the induction of the new Chief Financial Officer and a continued focus on succession planning.

The following pages set out further details of the work undertaken by the Nomination Committee during the year.

John Allan  
Chair of the Nomination Committee

1 September 2021

# Nomination Committee reportCONTINUED

## Board composition, succession and evaluation

### Nomination Committee role and activity FY21

#### Membership and attendance at meetings

The membership of the Nomination Committee and the attendance at each of its scheduled meetings is set out on page 71. The majority of Committee members are considered independent by the Company, and in accordance with the Code. Their biographies and qualifications are shown on pages 68 and 69.

#### Main activities undertaken during the financial year

The Nomination Committee’s responsibilities are set out in its Terms of Reference which can be found on the Company’s website at [www.barrattdevelopments.co.uk/investors/corporate-governance](http://www.barrattdevelopments.co.uk/investors/corporate-governance). In addition to the tasks carried out annually, such as the review of its Terms of Reference, effectiveness and approval of this report, the Committee carried out the following work during the year:

Priorities	Work carried out and outcomes
Governance	Reviewed new potential situational and transactional conflicts notified by two of the Non-Executive Directors, and determined that there was no actual or potential conflict arising.
Composition and Succession	<p>Considered succession plans for Non-Executive Directors, particularly for the various roles held by Richard Akers, and made the appointments at the appropriate time.</p> <p>Considered the recruitment specification, candidates and final selections of the two new Non-Executive Directors in the context of balance of skills and experience and diversity, and nominated them to the Board for approval. The appointments of Katie Bickerstaffe and Chris Weston were approved by the Board in November.</p> <p>Considered and agreed the induction arrangements for the new Non-Executive Directors. Further details of the appointment process and induction are shown on page 81.</p> <p>Supported the Board with the change of Chief Financial Officer.</p> <p>Re-appointed Sharon White for a second three-year term, having considered her effectiveness and commitment to the role.</p>

#### Directors’ conflicts of interest

The Board has authorised the Nomination Committee to oversee the process for reviewing and making recommendations to the Board concerning any actual or potential conflicts of interest that may arise for any Board member, including details of any terms and conditions that it deems necessary to impose on any authorisation given. Throughout FY21, the Company Secretary maintained a register of Directors’ conflicts of interest. A summary of this register is reviewed at each Board meeting so that it remains accurate and current. The full register is reviewed annually by the Nomination Committee and recommendations are made to the Board regarding any changes to the authorisations that may be required. The Board, when authorising any conflict or possible conflict of interest, does not count in the quorum the Director whose conflict or possible conflict is being discussed and reserves the right to exclude a Director from a meeting whilst a conflict or possible conflict is being considered. The Board may revoke or vary any authorisation at any time.

#### Board changes and succession planning

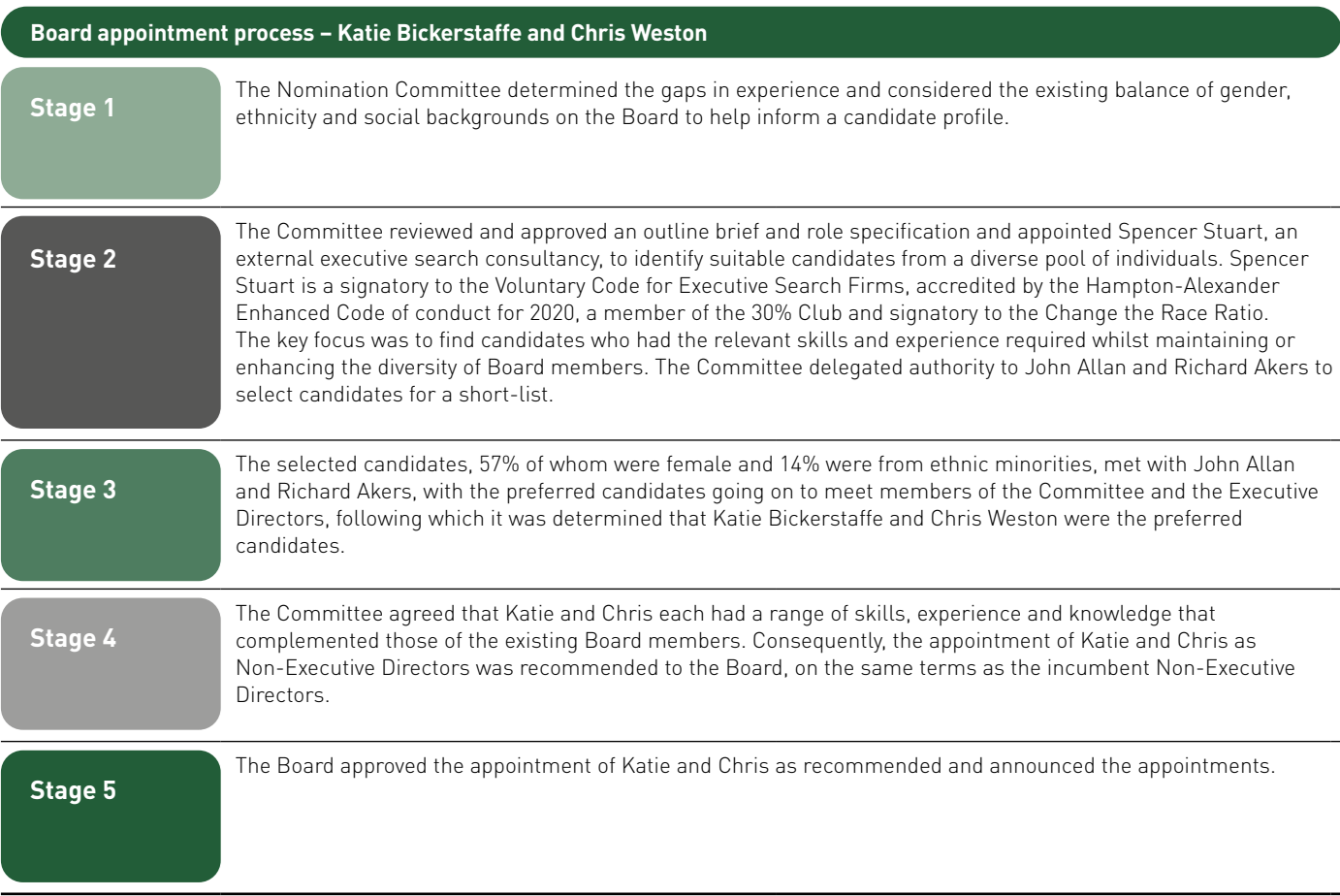
Succession planning is a live topic at the Board and Nomination Committee meetings, as discussed on page 79. All appointments and succession plans are objective, based on merit and promote diversity.

For Non-Executive Directors, the Nomination Committee annually reviews the length of service, taking into account the cyclical of the business as lessons gained through one property cycle can be useful during the next. For Executive Directors, the Nomination Committee and the Chief Executive annually discuss the succession plans for the other Executive Directors and Senior Management below Board level. The aim of this review is to identify suitable individuals who are

capable of filling senior managerial or Board positions in the future and to ensure their development needs are identified and addressed. As part of their development, senior managers are invited to attend part of a Board meeting to present on their specialist area. This also enables the Board to assess the quality of internal talent, and the individual to get a greater understanding of the workings of the Board. Succession plans are in place across the business for the wider workforce and are set out in the Strategic Report on pages 30 to 33. When considering succession plans, the Board remains cognisant of the need to ensure that there is a diverse range of individuals included in the plan. The business continues to promote diversity and inclusion from within, and further details of the work that has been undertaken in this area can be found on page 82.

During the year, following identification of the skills required to ensure a continued balance of skills on the Board, Spencer Stuart were engaged to assist with the search for two new Non-Executive Directors. Following the resignation of Jessica White in March 2021, Lygon Group was used to assist with the search for a new Chief Financial Officer. Spencer Stuart also helped develop the Group’s talent programmes during the year, but had no other connection with the individual Directors or the Company. Lygon Group had no other connection with the individual Directors or the Company.

The process used in the appointment of the two Non-Executive Directors is shown below.



#### Induction

To ensure that both Katie and Chris had a good understanding of the business and how it operates, an induction programme was prepared by the Company Secretary in collaboration with the Chair and the Chief Executive, which was approved by the Committee. It included on-line meetings with each of the Executive Directors and Chairs of the Board committees, members of the Executive Committee, selected Regional and Divisional directors, heads of key group operations, the key external corporate advisers and the External Auditor. The normal health and safety site visit and general site visits were deferred until after COVID-19 restrictions had been lifted. Information on other heads of function was provided to the new Non-Executive Directors for meetings to take place later at their request. A feedback meeting took place between the new Non-Executive Directors and the Chair on completion of the induction programme from which it was evident that the process was seen to be comprehensive, thorough and insightful.

#### Re-appointment and re-election of Directors

Non-Executive Directors are appointed by the Board for up to three three-year terms subject to annual shareholder re-election and a particularly rigorous review prior to a third term being agreed. Non-Executive Directors will normally step down from their position on the Board and its Committees at the AGM following their ninth anniversary. The length of tenure of Board members is shown on page 71. During the year, Richard Akers completed nine years of service and stepped down from the Board on 4 May 2021. Each of the Directors, except for Jessica White who stepped down as Chief Financial Officer with effect from 30 June 2021, and Katie Bickerstaffe and Chris Weston who were appointed later in FY21, has been subject to a formal performance evaluation process during the year, as set out on page 84. The Nomination Committee and the Board are satisfied that each Director continues to be effective in, and demonstrates commitment

to, their respective roles. All remaining Directors will be standing for election or re-election at the forthcoming AGM. Biographical details of each of the Directors are set out on pages 68 and 69 of this report along with reasons why their contribution is, and continues to be, valuable to the Company’s long-term sustainable success, and can also be found in the Notice of the 2021 AGM.



# Nomination Committee report

Board composition, succession and evaluation

## Diversity and Inclusion

### Board Diversity

Board composition statistics are provided on page 71.

During the year, the Nomination Committee, and subsequently the Board, reviewed the Board’s policy on diversity and inclusion. The policy aims to identify the most suitable candidate to join the Board having regard to the individual’s skills, experience and knowledge. It also seeks to ensure that, in managing an appointment and in succession planning, the Nomination Committee has regard to the recommendations of the Parker and the McGregor-Smith reviews on ethnicity and race and the benefits of diversity, including gender, ethnicity, social background and cognitive and personal strengths. A copy of our Diversity Policy for Board appointments can be found at: [www.barrattdevelopments.co.uk/sustainability/our-policies](http://www.barrattdevelopments.co.uk/sustainability/our-policies).

### Diversity and inclusion throughout the business

The Nomination Committee and the Board recognise the importance of a diverse workforce, at all levels of seniority. Promoting diversity at Senior Management level, and more generally across the workforce, remains an objective for the Chief Executive and Group HR Director. The Group’s aim is for its employee profile to mirror that of the communities in which it operates. Further information on the Group’s progress on diversity and inclusion can be found on pages 32 and 33. The main objectives, how they are implemented and progress towards them are set out below.

Objectives	Implementation	Progress
Hold leaders accountable for diversity and inclusion goals.	Data tracking and distribution.	Diversity data down to divisional level produced and distributed every month to enable progress measurement.  Presenting, educating and developing Directors within Board meetings to promote the diversity and inclusion message throughout the organisation.
Ensure that diversity and inclusion actions and results are communicated and visible across the workforce, to help embed appropriate behaviours.	Local actions.	Each division has a diversity and inclusion action plan which is reviewed and discussed annually with the Chief Executive and Chief Operating Officer. Divisional boards meet monthly to discuss progress against these plans.  We are also trialling local divisional diversity and inclusion taskforces, where colleagues propose ideas within their own division and, once agreed, help to implement them.
Improve the representation of women, as well as ethnic minorities, LGBTQ+, people with disabilities and other underrepresented groups across the business.	Catalyst programme – our female leadership development programme.  Rising Stars programme – open to all employees and aimed at supporting development for those with potential and a desire to progress.  Supporting virtual disability work placements.	Launch of self-nomination process in January 2021 for Catalyst and Rising Stars programmes.  Third Catalyst programme launch being planned for September 2021 for 68 delegates (from 249 self-nominations).  Female representation on the Rising Stars programme has increased by 157%, with delegates from all areas and levels of the business, including apprentices.  We have worked with our partner, Whizz Kids, to support virtual work experience placements, with two underway and another four offered.
Create an inclusive work environment where everyone feels like they belong; can be themselves; and knows that their voice will be heard, which fosters creativity and innovation.	Reciprocal mentoring.  Extend employee networks.	Extended ‘Under One Roof’ gender equality employee-led network by introducing further informal connect groups such as Parent Connect (to support parents with home schooling during COVID-19 lockdowns) and Barratt Connect for non-parents.  LGBTQ+ informal connect group has been set up.
Create strong relationships with our diverse customer base.		We have continued to review our marketing and recruitment material to ensure it is fully reflective of our diverse customer base.

## Board and Committee evaluation

Each year, the Board undertakes a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. At least every three years, the Board undertakes an externally facilitated evaluation. This year, Lintstock supported the Chair and the Company Secretary with the delivery of an internally conducted evaluation. Lintstock has no other connection with the individual Directors or the Company. The next external evaluation will be carried out for FY22.

### Progress on FY20 evaluation

Progress made against the outcomes of the internal Board evaluation undertaken in FY20 is set out below:

The Board			
	Re-establish the business following COVID-19	Risk	Sustainability
FY20 outcomes	To get the business performing at pre-COVID-19 levels as quickly as possible across all metrics.	To perform more horizon scanning for remote but potentially significant unidentified risks.	To increase the knowledge and understanding of the Board and Senior Management on the key areas and how the business may address these.
Progress made in FY21	Implemented COVID-19 recovery plan and business renewal plans. Looked at lessons learnt and, where appropriate, made changes to the organisational structure, working practices and protocols and strategy as COVID-19 restrictions heightened and subsequently were gradually lifted.	Undertook a detailed review of the Board’s risk appetite and principal and emerging risks. Considered the likelihood and impact of each risk to determine the appropriateness of the current principal risks (see pages 56 to 66 for further details).	In-depth training sessions were organised for the Board from both internal teams and external advisors. Progress reviewed in terms of TCFD compliance and established a Sustainability Committee of the Board to monitor and drive performance in this area going forward (see page 66 for more detail).
The Committees			
	Nomination Committee	Audit Committee	Remuneration Committee
FY20 areas of improvement	Continue to monitor and improve succession plans.	Consider lessons learnt from the impact of COVID-19 and the risks that arose from this. Further training around accounting and risk management, and the risks associated with sustainability and ESG including climate change and how the business can look to mitigate these.	Improve the use of non-financial metrics for variable pay including ESG metrics whilst recognising the constraints and difficulties around delivery as we come out of the pandemic. Increase training around wider workforce pay matters and the broader executive remuneration debate.
Progress made in FY21	Continued to hold virtual one-to-one meetings with the Chief Executive to discuss succession plans for Executive Directors and those below the Board. Reviewed the succession plan for the Chief Executive to ensure it remains fit for purpose.	Reviewed the lessons learnt from the impact of COVID-19 and the associated risks as well as the actions and steps taken to mitigate these, adapting the actions and steps as restrictions were lifted. Deloitte LLP provided a teach-in session including ESG and TCFD requirements and the Company’s performance in these areas.	Remuneration consultants provided detailed benchmarking for Executive Directors, Senior Management and Non-Executive Directors as well as highlighting the key areas that the Remuneration Committee should take into account when determining executive remuneration. Given COVID-19, no major changes were made to the metrics other than to make health and safety a bonusable target rather than an underpin. For FY22, sustainability metrics are being introduced (see page 94 for further details).

# Nomination Committee reportCONTINUED

Board composition, succession and evaluation

## FY21 Board effectiveness evaluation outcomes

Board and Committee evaluation process for FY21	
Stage 1	Online questionnaires issued to Board and Committee members, and also those who attend Committee meetings on a regular basis.
Stage 2	A summary of the results from the questionnaire were provided to the Company Secretary for an initial review.
Stage 3	The reports were shared with the Chair of the Board and the Chairs of each of the Committees.
Stage 4	Results were presented and discussed at the June Board and Committee meetings (Nomination Committee was at the August 2021 meeting).
Stage 5	Actions for improvement were agreed for the next financial year (see below).

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

Key areas of improvement for the Board			
	Culture	Sustainability	Risk
FY21 outcomes	Greater oversight of culture.	Build on last year’s progress and further develop strategy and understanding in this area.	Further enhance risk management.
Actions for FY22	Further presentations to the Board, following analysis within the business.	Additional training on the Board’s responsibilities in this area, external stakeholder expectations, climate change and its risks, and TCFD.	Factor in additional scenario planning as part of the ongoing work around risk.

Key Areas of improvement for the Committees			
	Nomination Committee	Audit Committee	Remuneration Committee
FY21 outcomes	Succession planning, particularly for Executive Directors, and supplementing skills and knowledge on the Board.	Enhance knowledge of developing regulatory and reporting areas.  Further work on the internal control environment.	Continue to enhance Committee members’ knowledge of matters such as developments in remuneration practice, changing reward models, and investor sentiment.
Actions for FY22	Additional involvement at Board and Nomination Committee in succession planning. Agree and execute an action plan to fill any skills and knowledge gaps as they arise.	Additional training around upcoming governance and reporting changes including TCFD.  Benchmarking the internal control environment against the recommendations in the BEIS consultation.	Agree a training programme for Committee members with external consultants covering the topics highlighted.

## Evaluation of individual Directors

The evaluation of the effectiveness of the Chair was conducted by the Senior Independent Director with assistance from the Company Secretary. There continues to be positive support for the Chair. He is seen as being supportive but challenging and manages meetings with professionalism, ensuring each Director has the opportunity to express their view. Despite his other commitments, he is always available and flexible, maintaining a high level of engagement with the Company at all times. The Chair held one-to-one meetings with each Director to assess the effectiveness of their contributions, the appropriateness of their experience and the effectiveness with which they utilised that experience in furthering the Company’s strategy. Any areas of improvement or training and development were agreed, based on the outcomes of the questionnaires each of the Directors had completed on themselves. There were no issues of any substance arising from this review.

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

**John Allan**  
Chair of the Nomination Committee  
1 September 2021

# Audit Committee report

Audit, risk and internal control



“To strengthen further our capabilities around risk and internal controls, we have appointed a new Group Risk and Controls Manager to oversee the implementation of a new controls monitoring system”

**Jock Lennox**  
Chair of the Audit Committee

## Statement from the Chair of the Audit Committee

I am pleased to present the Audit Committee’s report for the year ended 30 June 2021, which sets out our work this year and how our responsibilities in relation to audit, risk and internal control have been implemented. In performing our duties, we have complied with the requirements of the Code and followed FRC best practice guidance. We work closely with our finance and internal audit teams, and with Deloitte LLP, our External Auditor, which helps us to ensure that our internal control processes remain robust, our financial reporting remains clear, and our critical accounting judgements and key sources of estimation uncertainty are appropriate.

There have been several changes to the Committee’s membership during the year. I would like to welcome Katie Bickerstaffe and Chris Weston, who joined the Committee on 1 March 2021. Both have a range of skills and experience that complement those of existing members. In addition, after nine years’ service, Richard Akers stepped down on 4 May 2021 and I would like to thank him for his service.

## Areas of focus FY21

In last year’s report, I set out our priorities for this year and I am pleased to update these as follows:

### COVID-19 impact

During the year, the Committee has monitored both the financial and control impact of COVID-19 as our business has continued to adapt to new ways of working due to the pandemic. This has included assessing the changes made to the control environment to accommodate homeworking to ensure that it remains robust. The Committee has assessed the impact of COVID-19 on key areas of judgement in the financial statements, including the related site delays and resulting estimated costs to complete.

We also challenged the economic assumptions supporting: the carrying value of intangible assets; the preparation of the Financial Statements on a going concern basis; and the conclusions of the viability statement. This included a review and challenge of management’s forecasts to ensure that they have been appropriately stress-tested using a plausible downside scenario.

### TCFD reporting and compliance

We have monitored the Group’s ongoing assessment of the possible impact of climate change on our business model, including the physical effects of a warming world and the transition to a low-carbon society. During the year, management have identified, in consultation with external experts, four climate scenarios that reflect the range of possible outcomes of climate change. These are detailed on page 65. A robust assessment was undertaken by senior management to identify the material risks and opportunities facing the Group under each of these scenarios (see page 65). The Committee has challenged the appropriateness of these scenarios and reviewed the methodology and outcomes of the risk and opportunities assessment. We will continue to monitor progress over the next year as the Group completes its analysis and adapts its strategy accordingly, and will review the extent of the external assurance obtained.

During the year we have made good progress towards being compliant with the TCFD requirements, and this is outlined on page 66. This is a developing area, and we will move to full reporting for FY22.

## Continued enhancement of risk management and internal controls

The Committee welcomes the BEIS consultation on restoring trust in audit and corporate governance and will be monitoring progress closely. Whilst the Committee supports several of the recommendations, in particular the proposal for an Audit and Assurance policy, there are others that it has some concerns about. Accordingly, the Committee has provided a response to the consultation in conjunction with the Audit Committee Chairs’ Independent Forum. The Committee is currently developing its thinking around the potential content of an Audit and Assurance policy and how this can be utilised to enhance our transparency in the next reporting cycle. In addition, we have started a programme to formalise reporting on the operation of internal controls, which we will continue to monitor. To strengthen further our capabilities around risk and internal controls, we have appointed a new Group Risk and Controls Manager to oversee the implementation of a new controls monitoring system. Alongside this, the Committee has overseen a revision of the Group’s Internal Audit programme to target better our key controls and focus on areas of risk.

### Legacy Properties

The Group continues to incur costs in addressing issues at certain legacy properties, rectifying structural issues on properties related to the Citiscape development and contributing to improvements to external wall systems. Throughout the year, we have monitored the accounting for these costs and at the year end have reviewed their recognition and presentation in the Financial Statements.

## Continued progress with the implementation of the new valuation system

The new COINS site valuation module has been implemented in all 27 of our divisions and will be extended to our joint ventures by the end of 2021. It is already being used on all new sites, and the transition of all existing sites is expected to be completed in 2022. The new module provides detailed reporting on the costs, judgements and estimates that underpin our assessment of work in progress and costs to complete, and is fully integrated into our financial reporting system, allowing for more efficient and robust review of site valuations. The Committee has received regular updates on progress and will continue to monitor the performance of the new system as its implementation is completed.



Key areas of focus for FY22

Our key areas of focus for FY22 will be progressing further the TCFD requirements, the ongoing work on the recommendations of the BEIS White Paper, and continuing to review and assess the financial risks relating to cladding and firestopping at our legacy properties. We will also be continuing to review the enhancement of risk management and internal controls in preparation for developing the Group assurance framework, policy and integrated risk assurance mapping.

Finally I would like to thank Jessica White for her support and input into the Committee’s work as Chief Financial Officer. I look forward to working with Mike Scott, the new Chief Financial Officer, in the coming year.

Jock Lennox  
Chair of the Audit Committee

1 September 2021

Role and activity FY21

Membership and attendance at meetings

Details of the members and attendance at each of the Committee’s scheduled meetings is shown on page 71, and the biographies and qualifications of the members are shown on pages 68 and 69. In compliance with the Code, the Committee is comprised exclusively of Non-Executive Directors, and each member is considered to be independent by the Company. The Chair of the Board is not a member of the Audit Committee. The Board is satisfied that Jock Lennox has recent and relevant financial experience to Chair the Audit Committee. Jock is a Chartered Accountant who has previously chaired several other listed companies’ audit committees. He is also the Chair of the Audit Committee Chairs’ Independent Forum. As part of the effectiveness review, details of which can be found on page 84, the Nomination Committee was satisfied that the Audit Committee has competence relevant to the sector in which the Group operates.

In addition to the Company Secretary, the Head of Internal Audit, Group Financial Controller and representatives from the External Auditor attended each of the Committee meetings. The Chair, Chief Executive, Chief Operating Officer and Chief Financial Officer attended meetings (or parts thereof) by invitation, along with other members of Senior Management as required.

After each meeting, the Chair of the Committee reported to the Board on the business undertaken by the Committee and made recommendations to the Board as appropriate. The Committee met the Chief Financial Officer, the Head of Internal Audit and the External Auditor separately and independently of management and the Chair of the Board. In addition, the Committee Chair separately meets with the External Auditor and key senior financial managers outside formal meetings.

Main role and activities undertaken during the financial year

The main role of the Committee is to assist the Board in fulfilling its governance obligations relating to the Group’s financial

reporting practices and its internal control and risk management framework. It follows an annual work programme to ensure that its roles and responsibilities are completed throughout the year. In agreeing the annual programme, the Committee considers the external environment, internal operation of the business and regulatory changes to ensure that all the main priorities are included.

The Committee’s responsibilities are set out in its Terms of Reference, which can be found on the Company’s website at [www.barrattdevelopments.co.uk/investors/corporate-governance](http://www.barrattdevelopments.co.uk/investors/corporate-governance). In addition to the tasks it carries out annually, the Committee carried out the following work during the year:

Priorities	Work carried out and outcomes
Integrity of Financial Statements and announcements	<p>Considered the impact of matters relating to COVID-19 such as the repayment of CJRS funding and business rates, and made recommendations to the Board as appropriate.</p> <p>Considered the presentation of costs associated with legacy properties, concluding that they are appropriately disclosed.</p> <p>Considered and agreed mechanisms for ensuring emerging issues of interpretation of accounting standards are considered in a timely manner so that internal processes can be adapted where necessary.</p> <p>Reviewed new guidance and regulatory requirements in respect of corporate reporting, climate change and ESG reporting. Reviewed and approved the plans for TCFD.</p> <p>Reviewed directors’ responsibilities and the Brydon review recommendations relating to fraud. Agreed that fraud prevention should be reviewed annually including considering areas for potential fraud, fraud mitigation and controls adequacy.</p>
Internal control and risk management systems	<p>Instigated and reviewed an update to the Delegation of Authority matrix with a view to making it clearer and easier to use.</p> <p>Reviewed anti-money laundering policies and training in place and agreed that recent updates were effective.</p> <p>Agreed with the assessment of management that climate change and a significant nationwide unexpected event affecting multiple locations should be elevated to principal risks.</p> <p>Considered responsibilities of the Directors and internal and external auditors in respect of fraud, and reviewed fraud prevention activities taking place within the Group and any gaps. Agreed recommendations for management, that the importance of fraud prevention should be better highlighted to employees, and that fraud prevention measures and culture in the business should be reviewed annually.</p>
Internal audit	<p>Following matters raised during internal audit work and as part of the annual management control self-assessment, requested and reviewed revised customer data retention and compliance processes.</p> <p>Reviewed progress made at the halfway stage of a two-year Strategy Improvement Plan for Internal Audit, and agreed changes to the Internal Audit work plan for the year to include a greater focus on risk-based audits.</p> <p>Reviewed the Group’s assurance mapping and agreed to consider what steps were required to produce an Audit and Assurance Policy.</p>
External audit	<p>Reviewed the provisions of the Kingman and Brydon reviews and CMA recommendations and considered the implications for the Company.</p> <p>Reviewed and approved the Group’s approach to the external audit quality indicator assessment.</p> <p>Considered the FRC Annual Audit Quality Inspection Results.</p>
Governance	<p>Discussed and reviewed proposed sustainability data collection strategy, assurance, and principles.</p>

FY21 Financial Statements

Significant issues considered during the financial year

The issues considered by the Committee to be the most significant (due to their potential impact on the performance of the Group’s activities) in relation to the Financial Statements during the financial year are set out below.

1. Critical accounting judgements and key sources of estimation uncertainty

These are set out in the table on this page.

2. Going concern

The Committee:

- using the Group’s business plan, assessed the Group’s available facilities, headroom and banking covenants;
- reviewed management’s detailed analysis, which included forecasts, scenarios and sensitivities;
- concurred with management’s conclusion, and recommended to the Board, that the Company and the Group continue to be a going concern and the Financial Statements should be prepared on a going concern basis;
- considered the going concern requirements of the Code to ensure compliance; and
- continued to monitor market conditions to ensure any appropriate adjustments are made to the Group’s strategic and financial planning.

Further details on the Group’s going concern assessment can be found in note 1.3 on pages 130 and 131, and the Group’s Going Concern and Viability statements can be found on page 67.

3. Financial reporting

The Committee reviewed the integrity of the Financial Statements of the Group and the Company, and all formal announcements relating to the Group and Company’s financial performance. This process included the assessment of the following primary areas of judgement and took into account the views of the External Auditor.

Significant issues considered by the Committee relating to the Financial Statements for FY21 comprise:

Significant issues relating to Financial Statements	How these issues were addressed:
Margin recognition	<p>Development costs are allocated, on a site by site basis, between homes built in the current and future years. The Group’s site valuation process determines the profit margin for each site. This requires the estimation of future sales prices and costs to complete. Further detail is given in note 2.3 on page 133.</p> <p>The Committee considered:</p> <ul style="list-style-type: none"><li>• feedback from Senior Management regarding their attendance at valuation meetings and their assurances on the efficiency and consistency of the approach on valuation throughout the business;</li><li>• management’s assumptions and estimates in the assessment of margin recognition based on site performance, including the estimated impact of extensions to site durations from COVID-19 safe practices and protocols;</li><li>• the External Auditor’s findings, challenges and recommendations following its attendance at valuation meetings as part of the external audit process; and</li><li>• the results of the Group’s internal audit reviews across the business.</li></ul> <p>Based on this, the Committee was comfortable with the process and controls adopted by management around the estimation of future income and costs to complete, and thus the process by which the Group’s inventory is valued and margin recognised.</p>
Costs associated with legacy properties	<p>Estimations of costs of remedial work relating to cladding and EWS, as well as concrete frames on legacy buildings have been provided for. Government guidance and industry regulation continues to evolve, requiring the Group to adjust its response and ensure that its resultant obligations are accounted for appropriately. Further detail is given in note 3.6 on page 143.</p> <p>The Committee reviewed, challenged and agreed the basis on which the costs associated with legacy properties have been included within the Financial Statements, including obtaining a view from independent experts. The External Auditor challenged both the existence and completeness of legacy property provisions.</p> <p>The Committee also considered and agreed the appropriateness of presenting these costs as an adjusted item in the income statement, assisted by feedback from the External Auditor.</p> <p>Based on this, the Committee was comfortable with the process and controls adopted by management around the disclosures and estimation of costs and provisions associated with legacy properties.</p>
CJRS repayment	<p>Consideration has been given to how the repayment of the Government’s Coronavirus Job Retention Scheme is disclosed. Further information is given in note 2.2 on page 132.</p> <p>The Committee considered the appropriateness of disclosing this refund as an adjusted item, considering the Group’s accounting policy and the guidance issued by regulatory bodies on the presentation of alternative performance measures during the pandemic. The Committee, having sought the views of the External Auditor, is satisfied that the presentation is appropriate and in accordance with policy.</p>
Derecognition of the Defined Benefit Pension Scheme	<p>This relates to how the defined benefit pension scheme’s assets and liabilities have been accounted for following the scheme’s buy-out. Further details can be found in note 6.2.2 on page 158.</p> <p>The Pensions Sub-Committee, working with the Pensions Trustees, monitored the buy-out process and approved the wind-up of the Pension Trust after reviewing legal advice, and the due diligence undertaken on the insurer, to ensure that they are appropriate custodians for scheme members.</p> <p>The Committee reviewed the presentation of the pension buy-out in the Financial Statements, considering whether the conditions for settlement accounting have been met and that the disposal is correctly reflected through the Income Statement. The Committee is satisfied that the pension buy-out has been accurately reflected in the Financial Statements.</p>
Completed development accruals	<p>After all homes on our developments have been legally completed, the Group holds a liability to cover further costs that are required to complete the development. This requires an assessment of the cost to complete.</p> <p>Completed development accruals are raised and regularly reviewed as part of the Group’s valuation process. The measures undertaken by the Committee to evaluate valuations performed in the year are detailed in the response to margin recognition above.</p> <p>In addition, the Committee reviewed the quantum of the accruals, held for completed developments. This included the average cost to complete per development, the categorisation of the cost to complete and the ageing of our completed development accruals. The Committee also considered the work performed by the External Auditor.</p> <p>The Committee agreed with management’s recommendation that the completed development accrual remains appropriate.</p>

Fair, balanced and understandable considerations and conclusions

The Committee received a draft of the Annual Report and Accounts prior to its August 2021 meeting, together with supporting material from management and the External Auditor. At the meeting, it considered and assessed the process undertaken in drafting the Annual Report and Accounts to determine whether the 2021 Annual Report and Accounts were fair, balanced and understandable.

Considerations

- Feedback provided by shareholders on the 2020 Annual Report and Accounts.
- Assurances provided in respect of the financial and non-financial management information.
- The balance between statutory and adjusted performance measures.
- The internal processes underpinning the Group’s reporting governance framework and the reviews and findings of the Group’s external legal advisers and External Auditor.
- A report from the Company Secretary, which confirmed that: i) the process involved collaboration between various parts of the Group, including the Group Finance team, Company Secretariat, Group Communications, Investor Relations and the Sustainability team; ii) the Annual Report and Accounts had been reviewed by the Executive Directors; and iii) the Company had received confirmation from its external advisers that the Annual Report and Accounts adhered to the requirements of the Companies Act, the Code, the Listing Rules and other relevant regulations and guidance.

Conclusions

- The Annual Report and Accounts for the year ended 30 June 2021:
- clearly, comprehensively and accurately reflects the Group and Company’s performance in the year under review, including the impact of COVID-19;
  - contains an accurate description of the business model;
  - correctly reflects the Group and Company’s purpose, strategy and culture;
  - includes consistent messaging and clear linkage between each of the sections of the Report and Accounts; and
  - includes KPIs, which are consistent with the business plan and remuneration strategy.

- Accordingly, the Committee recommended to the Board that the FY21 Annual Report and Accounts are fair, balanced and understandable. The Board’s formal statement on the Annual Report and Accounts being fair, balanced and understandable is contained within the Statement of Directors’ Responsibilities on page 114.

Internal controls and the risk management process

The Committee monitors the Group’s risk management and internal control systems, including their effectiveness, on behalf of the Board. The key aspects are as follows:

- a clear organisational structure with defined levels of authority and responsibility at all levels of the business;
- financial and management reporting systems under which financial and operating performance is planned on a three-year basis and budgeted annually. Financial and operating performance is consistently reviewed against budget and forecasts at divisional, regional and Group levels on a monthly basis; and the information is used in the preparation of the Annual Report and Accounts;
- identification and review of principal operational risk areas to ensure they are embedded in the Group’s monthly management reporting system as routine aspects of managerial responsibility. Details of the risk management system and the principal risks are set out on pages 56 to 66;
- assessment of compliance with internal control and risk management systems, including a consideration of controls over non-financial risks. This assessment is supported by the Group’s Internal Audit team, which is responsible for undertaking an annual audit plan, ad hoc audits and reporting to the Committee, and if necessary, the Board, on the operation and effectiveness of those systems and any material failings;
- mapping of assurance procedures to the Group’s principal risks, to ensure that the response is sufficiently robust; and
- consideration and approval of the Group’s tax position and strategy.

The Group’s operations and financing arrangements expose it to a variety of financial risks that include the effects of changes in borrowing and debt profiles, Government policy, market prices, credit risks, liquidity risks and interest rates. There is a regular, detailed system for the reporting of daily cash balances and forecast cash flows from operations to Senior Management, including Executive Directors, to ensure that risks are promptly identified and appropriate mitigating actions taken. These forecasts are further stress tested at a Group level on a regular basis. In addition, the Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance, for example maintaining land creditors at between 15% and 25% of its owned land bank and limiting its exposure to institutions with high credit ratings. Financing activities are delegated by the Board to a centralised Treasury Operating Committee. Group Treasury operates according to treasury policies that are approved by the Board and the Treasury Operating Committee.

Whistleblowing

The Group has a clear whistleblowing policy and procedure, which is communicated to the workforce. Concerns can be raised by employees with managers, or can be reported by anyone, anonymously if necessary, to a confidential and independent hotline. The hotline is available 24 hours a day, with any matters raised being notified to Internal Audit immediately by email. Matters requiring urgent attention (including corruption, human rights abuses and safety) are notified to the Head of Internal Audit by phone immediately, including outside business hours. The Head of Internal Audit reviews and investigates matters raised, and any substantive issues are raised with the Chair of the Audit Committee. The Head of Internal Audit also updates the Committee on whistleblowing incidents at each of its meetings. The Committee reviews the overall procedure, investigations and outcomes, as well as the availability and frequency of use of the whistleblowing hotline. The Chair of the Committee updates the Board on whistleblowing reports and investigations on a regular basis, and the Board reviews the whistleblowing arrangements and discusses the most significant issues as appropriate.

Internal audit

Information regarding the internal audit matters considered by the Committee is given in the table of work carried out on page 86.

The Head of Internal Audit continued to make changes as part of the ongoing two-year Internal Audit strategic improvement plan as follows:

- continued improvement to the risk-based approach to internal audit with the implementation of an Inherent Risk Assessment Planning document;
- the implementation of data-driven insights and risk-based continuous monitoring of key control areas;
- the implementation of a post-audit survey to drive stakeholder satisfaction and improve the value added assurance;
- the creation of an internal audit toolkit with a new internal audit policies and procedures manual to drive consistency of approach and output; and
- the continued documentation of the Group’s key controls via the Barratt Risk and Internal Control framework and transition of ownership of this to the Group Financial Controller and the second line of defence.

The Group’s internal audit team have continued to operate remotely during the year and have effectively adapted their audit testing accordingly to continue to obtain and test audit evidence.

The Committee considered the effectiveness of the internal audit team and confirmed that, in its opinion, it had operated effectively and provided an appropriate level of independent scrutiny of the operations of the Group. A formal External Quality Assessment was recommended by the Head of Internal Audit at the last annual review of effectiveness of internal audit. This will be completed during the first half of FY22.

External audit  
Audit performance and effectiveness

The Committee annually reviews the external audit plan and process. This year they approved key risk elements of the audit being brought forward to reduce pressure on the busy financial reporting period after year-end, and approved attendance of the External Auditor at training sessions for control and system-related changes made over the year, to improve their understanding.

In forming its conclusion, the Committee reviewed amongst other matters:

- feedback on the effectiveness and performance of the external audit;
- the External Auditor’s fulfilment of the agreed audit plan for FY21;
- reports highlighting the material issues and critical accounting judgements and key sources of estimation uncertainty that arose during the conduct of the audit;
- the External Auditor’s objectivity and independence during the process, including its own representation about its internal independence processes; and
- the challenges raised by the External Auditor during the audit.

The assessment of the effectiveness and performance of the External Auditor included reviewing and approving the Group’s approach to its external audit quality indicator assessment. The assessment included a questionnaire to cover a range of the FRC’s audit quality indicators which was completed by management. The questionnaire was split into six areas from risk assessment to continuous improvement. Four of the six areas were rated good with two rated average. Examples of the areas assessed included; resourcing, with feedback being that there was appropriate Partner presence across the audit, with a well-established team whom had good knowledge of Barratt and the sector; and on timing of audit work, with feedback received that requests around the Easter holiday, were made at short notice, however, overall bringing forward elements of the fieldwork has been seen as beneficial.

During the audit, the External Auditor challenged management’s judgements and assertions on the following matters:

- margin recognition;
- valuation of provisions related to legacy developments; and
- completed development accruals.

The Committee’s response to these can be found in the relevant section of the table of significant issues considered by the Committee relating to the Financial Statements on page 87.

The Committee is also aware of the recent FRC audit quality review and will seek to ensure that any relevant areas identified for improvement by the External Auditor are adequately addressed in future audits.

The Committee concluded that the audit process as a whole had been conducted robustly, the External Audit team selected to undertake the audit had done so thoroughly and professionally, and the External Auditor had applied sufficient experience and understanding of the housebuilding industry, consulted with experts as necessary, and is of sufficient size to conduct a national audit. Deloitte LLP’s performance as external auditor to the Group during FY21 was therefore considered to be satisfactory.

In addition, the Committee was satisfied that management had provided the External Auditor with appropriate access to its operations and head office teams, systems, records and supporting information, whilst acting professionally and with appropriate challenge, enabling the audit to be conducted effectively.

Auditor independence and non-audit fees

The Company’s Policy on auditor independence and non-audit fees is available at [www.barrattdevelopments.co.uk/investors/corporate-governance](http://www.barrattdevelopments.co.uk/investors/corporate-governance). With effect from 1 July 2021, the policy caps non-audit fees at 70% of the average audit fees over the previous three years. The Committee continually monitors the ratio of non-audit to audit fees to ensure that it does not exceed this cap. For FY21, non-audit fees (including audit-related assurance services) for the Company and its subsidiaries and JV’s were £45,000, representing 4.9% of the total audit fee. Non-audit fees based on the average of the previous three years’ audit fees were 7.5%. Further details of the audit and non-audit fees incurred by the Group can be found in Note 2.3.5 on page 134. The non-audit fees were for work undertaken by the External Auditor for the review of the half year report. Accordingly, the Committee was satisfied that both the work performed by External Auditor, given its knowledge of the Group, and the level of non-audit fees paid to it, were appropriate and did not raise any concerns in terms of External Auditor’s independence.

This Policy also sets out the duties of the Committee relating to the protection of the objectivity and independence of the external auditor. The pre-approval levels and conditions required for different non-audit services that might be required from the external auditor, together with prohibited services, are detailed in the Policy. It also sets out restrictions on the recruitment of employees from the Group’s external auditor. During the year, this Policy was reviewed and updated. It is in line with the auditor independence rules of the FRC’s



# Audit Committee report CONTINUED

## Audit, risk and internal control

Revised Ethical Standard 2019 and includes the FRC’s whitelist of permitted non-audit services. There are no conflicts of interest between the members of the Committee and the External Auditor.

The Committee requires written confirmation annually from the External Auditor that it remains independent. For FY21, the External Auditor provided a comprehensive report to the Committee verifying that it had performed its audit and audit-related services in line with independence requirements and explaining why it believed that it remained independent within the requirements of the applicable regulations and its own professional standards. The report also explained why the ratio of audit to non-audit fees, and the extent and type of non-audit services provided, was appropriate. The Committee conducted its own review and endorsed the External Auditor’s conclusions on compliance with the Policy and independence of the External Auditor.

**External audit tender**

Deloitte LLP were first appointed as External Auditor to the Group in 2007, and was reappointed following a competitive tender in FY17. Having conducted a competitive tender in 2017, the Company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 issued by the CMA on 26 September 2014. Claire Faulkner was appointed as lead audit partner for the FY18 audit and continues in this role. The Group’s policy is to rotate the lead audit partner every five years. The team’s second audit partner was rotated for the FY20 audit.

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

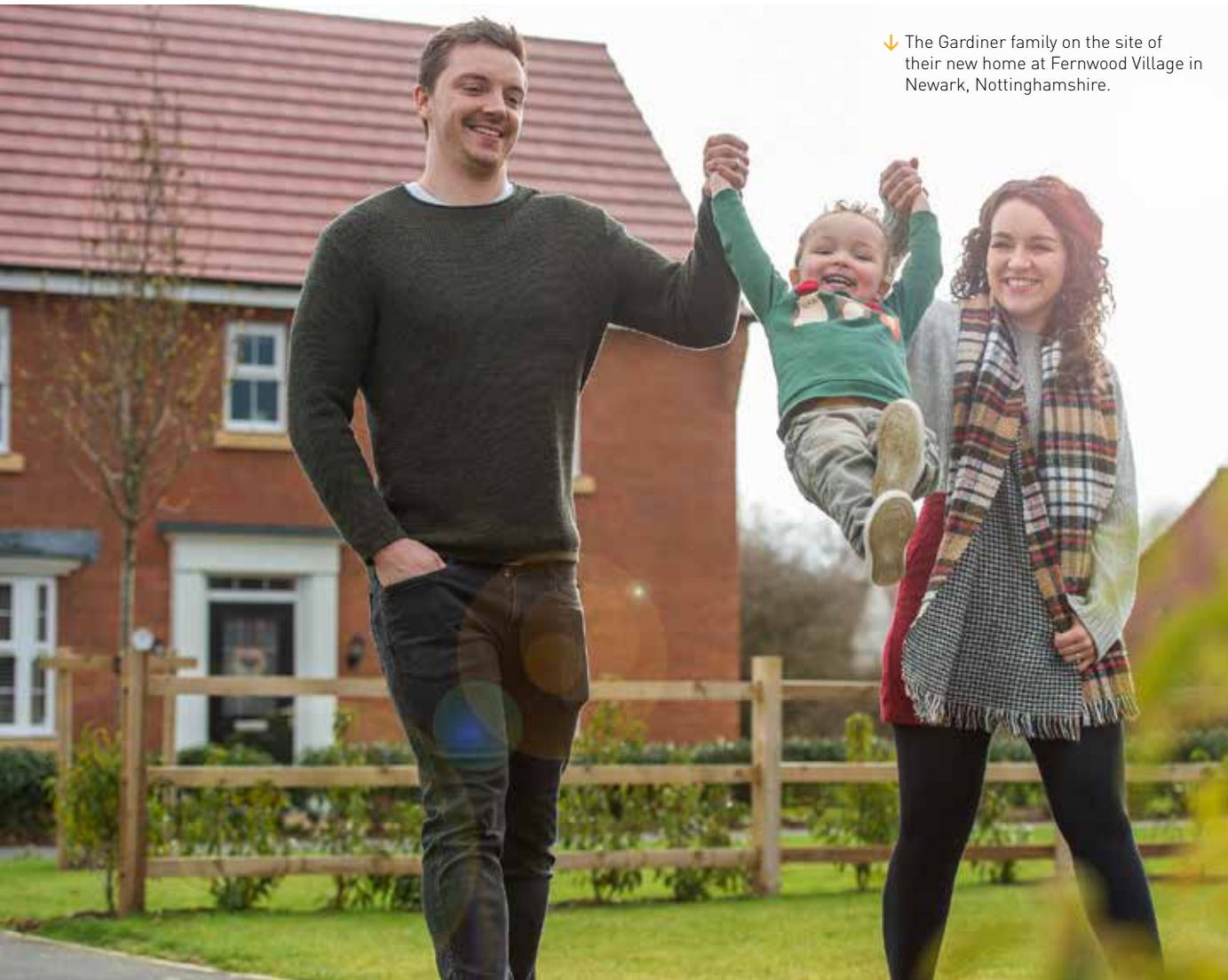
**Assessment of the External Auditor**

Having considered the External Auditor’s performance, the Committee recommended to the Board that the External Auditor remains independent, objective and effective in its role and therefore should be re-appointed for a further year. On the recommendation of the Committee, the Board is putting forward a resolution at this year’s AGM that Deloitte LLP be re-appointed as external auditor for a further year.

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

**Jock Lennox**  
Chair of the Audit Committee

1 September 2021



# Safety, Health and Environment Committee report



“Having recently visited a Barratt site as part of my induction, it is reassuring to see the focus on safety, health and the environment by our workforce. The attention to detail was very impressive.”

**Chris Weston**  
Chair of the Safety, Health and Environment Committee

### Statement from the Chair of the SHE Committee

I am pleased to present my first report as Chair of the SHE Committee. I would like to thank Richard Akers for his service to the Committee. The health and safety of our workforce, customers and members of the public and the protection of the environment around our developments remains a fundamental priority for the Group and is embedded within the day-to-day operations of the business.

### FY21 areas of focus

FY21 was another challenging year for the business as a consequence of the ongoing COVID-19 pandemic. The SHE team were fully engaged in monitoring compliance with the British Safety Council verified COVID-19 safety measures, and with the procedures put in place at our construction sites, sales centres and offices during the last financial year. They have continued to improve and adapt these safety measures throughout the year as government guidance has evolved and restrictions have been lifted. I would like to take this opportunity to recognise the SHE team for the incredible work they have done to ensure the business remains COVID-19 compliant whilst continuing to carry out their normal day-to-day activities.

Focus continues on enhancing our health and safety systems and controls. We introduced two new mobile applications during the year. The first enables on line management and recording of inductions on site, and the second enhances the recording of accidents, incidents, near misses and non-conformances. Training on the apps has been rolled out and these have now been embedded within the business.

The SHE team, together with HR, have continued to pro-actively drive health and wellbeing support, particularly around mental health given the ongoing pandemic.

During the year, our SHE management systems were subject to a full audit by the British Assessment Bureau (BAB), to ensure they continued to meet the requirements of ISO 14001 and ISO 45001. The BAB confirmed that all requirements continued to be met and that our systems remained fully accredited. Over the next three years, all our operating Divisions will participate in audits by BAB to ensure that the requirements are being consistently applied across the business.

Despite the systems and controls that we have in place, it is unfortunate that our Group IIR has increased from 256 in FY20 to 416 per 100,000 persons. In order to reduce our IIR, the SHE team have put in place an action plan comprising:

- relaunching our ‘Five steps to safety’ campaign to further enhance awareness in this area;
- refocusing our site teams on ensuring that everyone working on site is fully aware of the high standards and requirements we have in place; and
- engaging with our principal sub-contractors to influence further improvements to the requirements they have in place for their workforce.

Slips, trips and falls accounted for 37% of these incidents and we have raised awareness of prevention of these injuries with our site teams through good housekeeping and appropriate access routes to work locations. The Group Construction and SHE Director will provide a bi-monthly update to the Committee outlining progress in the delivery of the action plan and its impact on our IIR.

In addition, analysis shows that there have been some incidents that involve contact with underground services during excavation works. Consequently, a review has been undertaken of our procedures to ensure that they remain clear and comprehensive. Steps have been taken to ensure that our site teams and contractors understand the procedures and that they

are effectively applied. An initiative has been implemented to increase awareness of the requirements, including issuing safety alerts, providing a mandatory e-learning module for our Construction, Technical and Commercial teams and seminars with those involved in this work. Enhanced methods of excavating around underground services have been reviewed and are being implemented by groundwork contractors.

Two key areas of focus for the Board, the SHE Committee and the SHE team are waste management and fire safety. We therefore appointed a Project Manager, Waste Management, and a Group Fire Safety Engineer, to support operations in both areas and mitigate potential operational and reputational risk.

### FY22 key priorities

During FY22, the SHE Committee will seek to support the newly established Sustainability Committee in delivering our sustainability framework, including finding ways to reduce our direct and indirect carbon emissions across our operations. There will be a particular focus on the reduction of waste, re-use and recycling of construction materials, and the reduction of diesel usage on our sites.

As COVID-19 restrictions are lifted, we will be reviewing our procedures on management of non-COVID-19 related health and safety matters. In particular we will be ensuring our offices remain safe as our employees return during the year, providing health and wellbeing support, and mitigating the risk of trips, slips and falls on our sites. The SHE Committee will ensure that all members of the Board take part in a SHE site visit with a senior member of our Group SHE team. These visits are invaluable as they not only ensure that the Board has a full understanding of SHE policies and processes and how they work in practice, but also demonstrates the Board’s commitment to the health, safety and wellbeing of the workforce, enhancing its importance to the business and as part of our culture.

Having recently visited a Barratt site as part of my induction, it is reassuring to see the focus on safety, health and the environment by our workforce. The attention to detail was very impressive and I would like to thank the SHE team, our employees and sub-contractors for the great work that they undertake each day to keep our people safe.

**Chris Weston**  
Chair of the SHE Committee

1 September 2021



# Safety, Health and Environment Committee report

CONTINUED

## Role and activities of the SHE Committee

The SHE Committee’s activities continue to prevent and mitigate some of our key operational risks relating to health and safety and the protection of the environment. By receiving reports and challenging those tasked with SHE performance where necessary, the SHE Committee helps the business to improve its SHE standards. It supports and oversees the direction and implementation of SHE Policy and Procedures which encourage efficient working practices, prevention of injury and illness, and support our continuous improvement strategy and ongoing sustainability of the Group.

The SHE Committee continues to work closely with the SHE Operations Committee, which is responsible for the implementation and oversight of the Group’s overall SHE improvement strategy. The SHE Operations Committee reports directly to the SHE Committee, with the Group Construction and SHE Director presenting reports to each of these Committees and to the Board. The SHE Committee has at least one joint meeting with the SHE Operations Committee each financial year. This enables it to gain a more in-depth understanding of the operational issues faced by the workforce and to discuss them, and ways to improve them, directly with those responsible for day-to-day SHE management.

## Membership and attendance at SHE Committee meetings

The membership of the SHE Committee and the attendance at each of its scheduled meetings is set out on page 71.

Only members of the SHE Committee have the right to attend meetings; however, other individuals may be invited, at the request of the Chair, to attend all or part of any meeting where it is deemed appropriate. Two SHE Committee meetings took place during FY21, one of which was the joint meeting with the SHE Operations Committee. The following pages set out the work undertaken by the SHE Committee during the year.

## Main activities undertaken during the financial year

The SHE Committee’s responsibilities are set out in its Terms of Reference which can be found on the Company’s website at [www.barrattdevelopments.co.uk/investors/corporate-governance](http://www.barrattdevelopments.co.uk/investors/corporate-governance). In addition to the tasks carried out annually, such as reviews of its Terms of Reference and approval of this report, the SHE Committee carried out the following work during the year:

Priorities	Work carried out and outcomes
COVID measures	<p>Reviewed SHE team’s work in monitoring compliance with SHE practices and protocols put in place to protect our employees, customers, suppliers and sub-contractors as they returned to construction sites and sales offices.</p> <p>Considered the policy on asymptomatic testing for employees and contractors, and agreed that employees should be encouraged to test locally where available, or from March 2021 at home, and that sub-contractors should be encouraged to ensure their employees are testing regularly.</p> <p>Reviewed health and wellbeing initiatives and provided feedback to further enhance guidance and advice for employees.</p>
Return to offices	<p>Undertook a review of, and implemented, measures to enable employees unable to continue to work from home to return to the office, ensuring that no more than a prescribed number of employees were present in the office at any one time.</p>
IIR	<p>Continued to monitor SHE performance targets, key performance indicators and IIR, all of which are available in the Strategic Report on pages 2 to 67.</p>
SHE training and compliance	<p>Reviewed SHE training and enabled virtual training sessions.</p> <p>Continuously monitored attendance by employees at prescribed SHE courses.</p> <p>Enhanced induction processes and accident and incident reporting.</p> <p>Received reports on the compliance, application and implementation of our SHE management system and the outcomes of site monitoring visits, and agreed the action plans put in place to address areas of improvement.</p>

## COVID-19

During the year, the in-house SHE management system was updated to reflect evolving COVID-19 requirements, whilst maintaining accreditation to both ISO 14001 (Environmental Management) and ISO 45001 (Health and Safety). There have been ongoing reviews of procedures, discussions with colleagues in all disciplines and a roll-out of e-learning to ensure our controls remain appropriate and in line with national restrictions. As lockdown measures eased, processes continued to be reviewed, with additional guidance issued to employees and sub-contractors on the importance of asymptomatic testing and attending vaccination appointments.

## Five steps to safety initiative

The Group’s ‘Five steps to safety’ initiative is a key awareness strategy. This was relaunched during the year to ensure safety was further embedded into working practices after sites were re-opened and to emphasise the responsibility that everyone has in ensuring a safe working environment.

## Occupational health and wellbeing

The Group continues to promote occupational and mental health for all employees, which has been vital throughout this unprecedented time. With support from the Group HR team, employees were provided with access to a variety of webinars, e-learning modules and newsletters, all of which contained guidance on staying healthy both physically and mentally. Further details of our health and wellbeing initiatives are given on page 32.

## Waste management

Waste reduction is a key focus for the business. Over the last year, the waste strategy has been revised, with clear accountabilities set out, a business-wide action plan being issued to drive performance, and the recruitment of a project manager focused solely on this area. More regular and higher quality data is being provided by sites, with each division reviewing their sites’ performance regularly. To monitor waste and drive compliance, monthly waste audits and cost reviews have been set up and dedicated waste champions have been appointed at divisional levels and on sites. A programme of ‘Toolbox talks’ and site visits in partnership with our waste management suppliers has been implemented, alongside poster campaigns and ongoing alerts.

To enhance focus on waste reduction, the Remuneration Committee has introduced a waste reduction target in the FY22 annual bonus scheme (further details can be found on page 101).

## Environmental protection

Environmental protection is a key area of focus, given the significant environmental impacts which could, if not carefully controlled, arise from our sites, as well as the impacts on the local communities in which we operate. We therefore work closely with our partners and contractors to ensure we manage and control our activities in a way which minimises environmental impacts, supported by monthly inspections by our technical teams.

## Engagement with sub-contractors

During FY21 the SHE team have worked closely with our groundworks contractors with the aim of working together to implement consistent controls and new initiatives across the Group. These include:

- techniques to minimise digging in close proximity to underground services;
- ensuring all plant operators receive a medical linked to occupational health;
- implementing plant risk assessments so that the appropriate plant is being used at all locations on site;
- ensuring that localised controls are in place to segregate plant and pedestrians within defined working zones; and

- carrying out regular drugs and alcohol monitoring of their workforces.

The SHE team will monitor compliance against these throughout FY22.

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

**Chris Weston**  
Chair of the SHE Committee

1 September 2021





# Remuneration report

Annual statement from the Chair of the Remuneration Committee



“As the new Chair of the Remuneration Committee, I am keen to carry out an ongoing review of the Remuneration Policy to ensure it continues to be fully aligned with prevailing best practice and the needs of the business”

**Katie Bickerstaffe**  
Chair of the Remuneration Committee

### Statement from the Chair of the Remuneration Committee

I am pleased to present my first report to you as Chair of the Remuneration Committee. I would like to thank Richard Akers for his service to the Committee and welcome Chris Weston to the Committee.

During the year under review the Committee took into account, amongst other factors, the performance of the Group in FY21 (see Chief Executive’s Statement on pages 14 and 15) and the market conditions in which the Group operates (see Marketplace section on pages 8 and 9) when considering the FY21 remuneration outcomes for the Executive Directors and in agreeing the targets for FY22 as set out in this report.

### Remuneration Policy

In FY20, the Committee, having delayed undertaking a fundamental review of the Remuneration Policy due to COVID-19, updated it to bring it in line with market practice. The revised Policy was approved by shareholders at the 2020 AGM with over 98% of votes cast in favour. Our approved Policy operated as intended throughout the year.

A further review was undertaken during FY21. Based on consideration of our future business strategy and the evolving economic environment, the Committee concluded that the approved Policy continues to be fit for purpose, aligns the interests of our Executive Directors with those of our shareholders and with our strategy, and continues to drive appropriate behaviours for the long-term success of the Company. It was agreed not to make any further amendments at this time.

As the new Chair of the Remuneration Committee, I am keen to carry out an ongoing review of remuneration policy to ensure it continues to be fully aligned with prevailing best practice and the needs of the business. The Committee has already committed to the use of ESG metrics in our incentive structures. Accordingly, I am keen to introduce further ESG metrics into our remuneration in order to reflect Barratt’s increased focus on sustainability, and shareholder expectations.

In addition, the Committee has agreed that, at its next policy renewal, it will look to amend the bonus deferral policy so that a fixed percentage of the final bonus outcome is deferred into shares, as opposed to any amount earned over 100% of salary, in line with recent Investment Association (IA) guidance.

### 2020 LTPP award and FY21 annual bonus targets

As reported last year, the Board agreed not to recommend a final dividend for FY20, no pay increases were awarded for either the Directors or employees for FY21, and no bonus was paid in respect of FY20 performance. The 2020 LTPP award was granted at the usual levels, however the outcome will be reviewed at vesting, to ensure no windfall gains have occurred as a result of changes in the share price between grant in November 2020 and vesting in October 2023. Given the uncertainty created by COVID-19, as reported last year, and in line with IA guidance, the Committee deferred setting targets for both the FY21 annual bonus and the 2020 LTPP awards. These were set, using internal and external consensus forecasts, in November 2020 and April 2021 respectively, and the details can be found on pages 104 and 106.

### FY21 performance and reward

Following the business restart in June 2020 following lockdown, the decision was made at the beginning of FY21 to return the CJRS funding and business rates relief in full. The business has continued to make good progress throughout the year, recommencing dividend payments to

shareholders at the half-year. Against this background, the outcomes for the FY21 annual bonus scheme and the 2018 LTPP award are at 98.9% and 80% of maximum respectively.

The Committee believes that, given the strong performance of the Company throughout FY21, and as the LTPP awards recognise the long term performance of the Company over a three-year period with a strong alignment with shareholder experience through TSR, it is appropriate to allow both incentives to pay out in line with performance outcomes. The Committee does not therefore consider it appropriate to use its discretion. Full details can be found on pages 104 and 105.

### FY22 remuneration

The Committee has agreed to increase the base salary for the Chief Executive, David Thomas, by 3%, which is in line with the salary review for the wider workforce. The Deputy Chief Executive, Steven Boyes, will receive a 5% base salary increase, commensurate with the material increase in the scope and size of his role. In particular, he has taken over responsibility for developing the timber frame strategy and the associated expansion of the business. We note that Steven has received increases either in line with, or slightly below, the level awarded to the wider workforce in the last three years, with no increase awarded last year. His salary has been reviewed against market benchmarks to ensure the positioning remains appropriate.

The performance measures for the FY22 annual bonus scheme are set out on page 101 together with the rationale for the changes proposed. This includes the introduction of a waste reduction target, which is measurable and reflects our enhanced focus on ESG. As in previous years, we will disclose the FY22 annual bonus targets and our performance against them in our Remuneration Report for the financial year ending 30 June 2022.

The 2021 LTPP will be awarded to all eligible participants, including the Executive Directors, as usual in October. Details of the targets are disclosed on page 101 of this report. The performance measures of TSR, EPS and ROCE remain unchanged however, given the Group’s focus on sustainability a carbon reduction measure has been introduced, details of which can be found on page 101. This will help focus the business on reducing our Scope 1 and Scope 2 greenhouse gas emissions by 29% by 2025 compared with 2018 levels. The Committee believes that these are the most appropriate measures to align

performance with strategy and the interests of stakeholders. Strategic KPIs for each measure can be found on pages 41 to 43.

### Change of Chief Financial Officer

As announced on 4 March 2021, Jessica White stepped down from her role as Chief Financial Officer on 30 June 2021. In line with the Group’s approved remuneration policy for leavers, the Committee agreed that Jessica would continue to be paid up to and including 31 July 2021, being the date that she left the business, and that thereafter, she would receive payment in lieu of notice, on a monthly basis up to and including 3 March 2022, being the end of her notice period. Payment in lieu of notice comprises salary, car allowance and pension allowance, and is subject to mitigation should she find other employment prior to the end of her notice period. In addition, given Jessica’s 15 years of service to the business the Committee agreed that, in line with our approved Policy, Jessica should be treated as a good leaver for the purposes of the FY21 annual bonus, deferred bonus and LTPP awards. Any in-flight deferred bonus and LTPP awards will vest at the usual time with the LTPP awards being time pro-rated to 31 July 2021 and subject to the achievement of the relevant performance targets. Further details of Jessica’s leaving arrangements can be found on page 108.

On 29th June 2021, we announced the appointment of Mike Scott, who is currently the Chief Financial Officer of Countryside Properties PLC (‘Countryside’), as our new Chief Financial Officer, at a date to be agreed. The remuneration package agreed for Mike is in accordance with our Policy, and can be found on pages 100 to 102 below. As permitted for new joiners under our Policy, the Committee has agreed to replace awards that Mike will lose on resigning from his current position. The value of these awards is no more than the Countryside awards that will lapse and are dependent on Mike being classed as a ‘bad leaver’ by Countryside. These replacement awards will help align Mike to the incumbent Executive Directors, to our strategy, and to you, our shareholders.

### Shareholder engagement

I wrote out to our institutional investors in July 2021 to gain feedback on the above proposals and outcomes. I am pleased to advise that the feedback was positive and no objections were received.

### Employees and remuneration

Our 2020 Gender Pay Gap report, published in October last year, showed a further reduction in the mean pay gap to 6.5%. Further details are given on pages 32 and 33. We aim to publish this year’s report in October 2021.

We continue to seek the views of our Workforce Forum on our approach to pay for employees and Executive Directors during the year. Further details on the Workforce Forum and the matters it has discussed during the year can be found on page 46.

For the fourth year in a row, we have awarded our employees below senior management level shares in the business, to recognise their dedication, commitment and loyalty, and have decided to continue to do so on an annual basis. Further details can be found on page 31.

### Remit of the Remuneration Committee

Our Remuneration report for the year ended 30 June 2021 comprises three parts: this Annual Statement, information about our Remuneration Policy, and the Annual report on remuneration. Our full Remuneration Policy can be found in our 2020 Annual Report on our website at [www.barrattdevelopments.co.uk/investors](http://www.barrattdevelopments.co.uk/investors). Details of how we have applied the relevant requirements of the Code can be found throughout this Remuneration report.

### Conclusion

The Committee believes that the decisions it has taken in respect of FY21 pay outcomes, the proposed approach to implementing the Policy in FY22, and the remuneration arrangements for our outgoing and incoming Chief Financial Officers are in the best interests of our shareholders, align with our strategy and appropriately reflect the wider business and economic environment. We therefore hope that you will support the Annual report on remuneration, which will be proposed at the AGM in October 2021. On behalf of the Committee and the Board, I would like to thank you for your continued support of our remuneration framework.

**Katie Bickerstaffe**  
Chair of the Remuneration Committee

1 September 2021

### Our remuneration strategy

Our motivated and engaged employees are who make our business operationally and financially strong. It is therefore imperative that our remuneration strategy appropriately rewards our employees for their performance against the Group’s key performance indicators, whilst delivering sustainable shareholder value. Our Remuneration Policy therefore aims to:

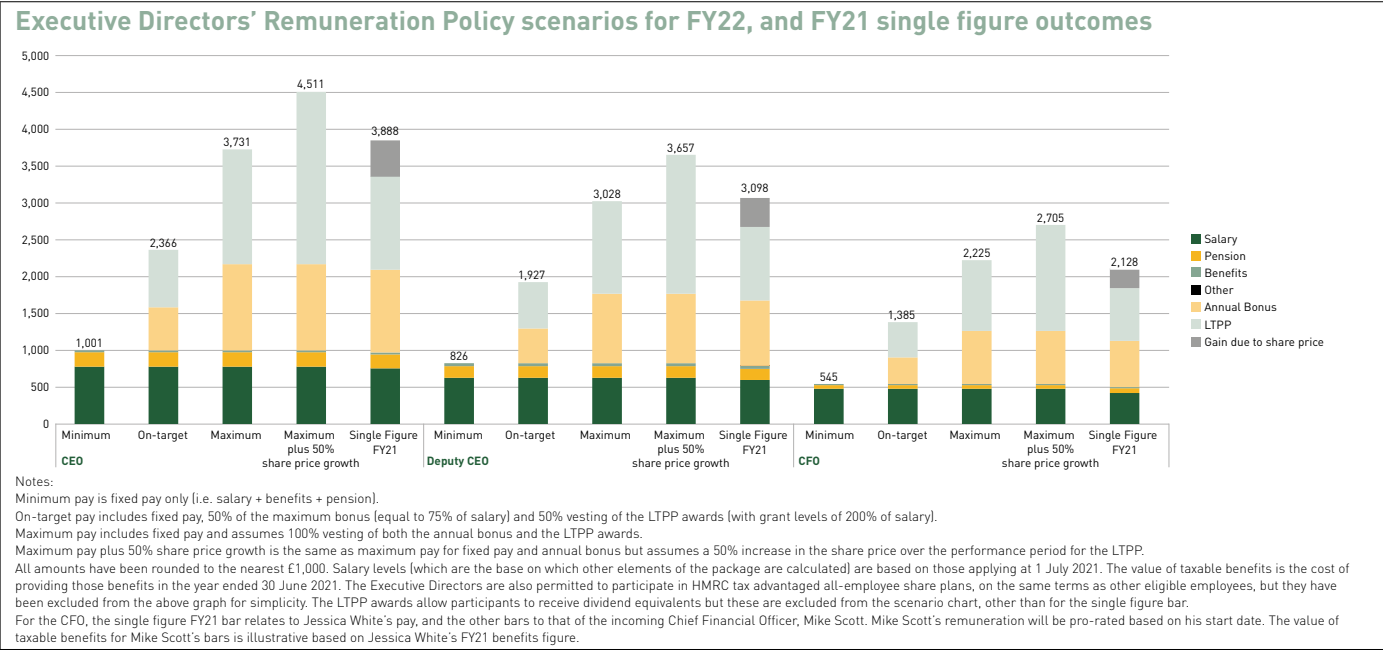
- promote the long-term sustainable success of the Company and be fully aligned with the performance and strategic objectives of the Group to enhance shareholder value;
- attract, retain, motivate and competitively reward Executive Directors and Senior Management with the requisite experience, skills and ability to support the achievement of the Group’s key strategic objectives in any financial year;
- take account of pay and employment conditions of employees across the Group whilst reflecting the interests and expectations of shareholders and other stakeholders;
- reward the delivery of profit and the continued improvement of return on capital employed by the business, whilst ensuring that Executive Directors and Senior Management adopt a level of risk, which is in line with the risk profile of the business as approved by the Board;
- ensure that there is no reward for failure and that termination payments (if any) are limited to those that the Executive Director (or member of Senior Management) is legally entitled to; and
- ensure that in exercising its discretion, the Committee robustly applies the aims above.

In developing its Remuneration Policy, the Committee has regard to:

- the Group’s purpose and strategic priorities, ensuring that targets support the achievement of strategic priorities;
- the performance, roles and responsibilities of each Executive Director and members of Senior Management;
- arrangements that apply across the wider workforce, including average base salary increases and pension contributions;
- information and surveys from internal and independent sources; and
- the economic environment and underlying financial performance of the Group.

Overview for FY21

The summary below outlines the remuneration outcomes for Executive Directors for FY21, together with the minimum, on-target and maximum (with and without share price growth) opportunities, targets set for variable remuneration and our performance against them. Full details can be found in the Annual report on remuneration on pages 99 to 111. Details of Executive Directors’ shareholding requirements and whether they have been met are given in Table 17 on page 107.



FY21 performance pay outcomes

Annual bonus outcome

Further details are set out on pages 104 and 105 in the Annual report on remuneration.

Target	Threshold	Target	Maximum	Weighting	Outcome achieved
PBT	£593m	£608m	£638m	42.5%	42.5%
	Actual £812.2m				
Capital Employed	£1,604m	£1,604m	£1,564m	20.0%	20.0%
	Actual £1,307.2m				
SHE (audit rating)	94%	94%	94%	7.5%	7.5%
	Actual 96.5%				
Customer Service (with SHE gateway, see above)	Number of divisions out of 27 to achieve SHE audit rating of 94% or above, and 90% customer service target			15.0%	13.9%
	Actual 25/27 divisions				
Trading outlet openings	98 openings	102 openings	107 openings	15.0%	15.0%
	Actual 144 openings				

LTPP vesting outcome

Further details, including the share price used to calculate the estimated value, are set out in Table 13 on page 105 of the Annual report on remuneration.

	Shares awarded		Percentage of award vesting			Shares vesting	Estimated value
	Number	EPS	ROCE	TSR	Total	Number	£000
David Thomas	272,426	0%	100%	100%	80%	217,940	1,646
Steven Boyes	215,602	0%	100%	100%	80%	172,481	1,302
Jessica White	151,945	0%	100%	100%	80%	121,556	918

Alignment of FY21 incentive performance measures with strategy

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

Directors’ Remuneration Policy

The Company’s current Directors’ Remuneration Policy (the ‘Policy’), was approved by shareholders at the 2020 AGM on 14 October 2020. The full version of the current Policy can be found on pages 127 to 130 of the 2020 Annual Report and Accounts, which is available on our website at [www.barrattdevelopments.co.uk/investors](http://www.barrattdevelopments.co.uk/investors). A description of how the Company implemented the Policy in FY21 can be found on pages 103 to 111 and details of how the Policy will be applied for FY22 are set out on pages 100 to 102.

How the Committee has addressed the requirements of the Code in determining Directors’ Remuneration Policy and practices

Code requirement	
<b>Clarity</b> – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Variable remuneration for any year is set out clearly in the prior year’s Annual Report, together with performance targets (unless they are deemed to be commercially sensitive). Outcomes are aligned with strategic objectives through the use of appropriate performance targets, which align them with shareholder interests and the Group’s strategy and provides for the long term success of the Company, which is in the interest of the workforce and other stakeholders.
<b>Simplicity</b> – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Company operates a UK market standard approach to remuneration which is familiar to stakeholders. Performance targets are readily understandable and published as part of the year end results.
<b>Risk</b> – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Committee has discretion to ensure that variable pay outcomes are in line with Company and individual performance. Share awards are subject to post vesting holding periods, and malus and clawback are applicable to both LTPP and the annual bonus (including deferred shares) for up to two years after payment or vesting in cases where the outcome is subsequently deemed inappropriate.
<b>Predictability</b> – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	Minimum, on-target and maximum outcomes for Directors are shown annually in this report (see page 96). Limits and discretions for each type of reward are explained in the policy table which can be found on pages 127 to 130 of the 2020 Annual Report and Accounts, which is available on our website at <a href="http://www.barrattdevelopments.co.uk/investors">www.barrattdevelopments.co.uk/investors</a> .
<b>Proportionality</b> – the link between individual awards, the delivery of strategy and the long term performance of the company should be clear. Outcomes should not reward poor performance.	The Company’s incentive plans reward the successful implementation of strategy through the alignment of performance targets with strategic KPIs. The performance underpin which applies to both the annual bonus and LTPP outcomes ensures that poor performance is not rewarded. The Committee also has discretion to override formulaic outcomes.
<b>Alignment with culture</b> – incentive schemes should drive behaviours consistent with company purpose, values and strategy.	Our remuneration strategy ensures that performance targets do not encourage inappropriate behaviours. The targets that are selected help align the interests of the workforce with those of the Company’s purpose and strategy as illustrated on page 96.

Change of Control

The rules of each share scheme operated by the Company contain provisions relating to a change of control. In the event that a change of control does occur any unvested options or awards will become vested on the date of the relevant event. However, the number of options or awards that vest will be prorated depending on the number of weeks completed within the relevant performance period and the level of performance conditions achieved during that period. The Committee has discretion to assess the performance outcome in respect of unvested awards and determine the extent to which unvested awards may vest. Options or awards which have already vested as at the date of the relevant event may still be exercised within the prescribed time scales set out in the rules.

Malus and Clawback

A malus and clawback mechanism applies to both the annual bonus (including any deferred bonus) and the LTPP for a period of two years following vesting.

The mechanism applies in certain circumstances set out in the rules of the relevant plans, including material misstatement in the Group’s accounts, error, misconduct, material failure of risk management, reputational damage and corporate failure. Full details of the circumstances under which malus and clawback apply can be found in the full Remuneration Policy set out in the FY20 Annual report and accounts on the Company’s website.

Differences between Executive Directors’ and employees’ remuneration

The following differences exist between the Company’s Policy for the remuneration of Executive Directors and its approach to the payment of employees generally:

- a lower level of maximum annual bonus opportunity may apply to employees other than the Executive Directors. All employees, including Executive Directors, are subject to similar performance targets; however, the

weightings against the various targets may vary;

- Executive Directors and some members of Senior Management may earn an annual bonus in excess of 100% of salary. Any bonus earned in excess of 100% of base salary is deferred into shares for a period of three years;
- Executive Directors and some members of Senior Management may opt to receive a cash supplement in lieu of pension. The maximum cash supplement or employer’s contribution rate for existing Executive Directors until 31 December 2022 does not exceed 25% of base salary. With effect from 1 January 2023, the pension contribution for Executive Directors will be at the maximum rate of employer’s contribution for the wider workforce, currently 10%. Any new Executive Directors appointed on or after 1 July 2020 receive a maximum contribution in line with the average pension contribution available to the wider workforce, currently 10%;



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

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

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

The level for all employees' salaries is determined with reference to the rate of inflation, salaries for similar positions throughout the industry and general themes and trends in respect of remunerating employees. When reviewing Executive Directors' remuneration, including increase in base salary, the Committee takes into consideration the pay and employment conditions of all employees across the Group. During the year, the Workforce Forum discussed remuneration strategy, including executive reward strategy, and provided feedback to management. The Company also operates a Sharesave scheme and in the last four financial years (including FY22) has made conditional awards of shares to all employees. This enables all employees to become shareholders in the Company, and to comment on the Group's Policy in the same way as all of our other shareholders. In addition, the Group provides a number of ways in which employees can ask questions and give feedback on such matters should they so wish. This includes the Employee Communications mailbox, personal development reviews, the Workforce Forum, a dedicated Workforce Forum email address and an email address for employees to directly contact the designated Non-Executive Director for workforce engagement. Details of engagement with the workforce and examples of feedback given are provided in the Stakeholder engagement section of the Strategic Report on pages 46 and 47.

Statement of consideration of shareholder views

In line with the IA's Guidelines on Responsible Investment Disclosure, the Committee is satisfied that the incentive structure and targets for Executive Directors do not raise any ESG risks by inadvertently motivating irresponsible or reckless behaviour, or encouraging inappropriate risk-taking.

Each year we update our major shareholders on the Committee's application of the Policy and our performance in advance of the publication of our Annual Report and Accounts. The Committee takes into account shareholder feedback received as part of the Company's annual review of the Policy. Details of engagement with shareholders during the year are given in the Chair's statement on page 95, and in the Stakeholder engagement section on pages 48 and 49. In addition, the Committee will seek to engage directly with major shareholders

and their representative bodies should any material changes be proposed to the Policy. Details of the votes cast for and against the resolution to approve last year's Remuneration report can be found in Table 24 on page 111.

Service contracts and letters of appointment

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

The Executive Directors have service contracts with the Company all with a rolling 12-month notice period and are not fixed term. Details are included in Table 1 below and their remuneration for FY21 is shown in Table 8 on page 103.

Table 1 – Executive Directors' service contracts

Executive Director	Service contract date	Date of appointment	Notice period/Unexpired term
David Thomas	16 January 2013	21 July 2009	12 months
Steven Boyes	21 February 2013	1 July 2001	12 months
Jessica White <sup>1</sup>	21 June 2017	22 June 2017	12 months

<sup>1</sup> Jessica White gave notice to terminate her contract on 4 March 2021 and stepped down from the Board on 30 June 2021.

The Chair and each of the Non-Executive Directors are appointed for an initial three-year term under terms set out in a letter of appointment. Their appointments can be terminated by the Board without compensation for loss of office subject to the notice periods in their respective letters of appointment. The notice periods, applicable from either party, are three months for the Chair and one month for each of the Non-Executive Directors. The Chair and each of the Non-Executive Directors usually serve a second three-year term subject to performance review and can serve a further term of three years subject to rigorous review by the Chair and the Nomination Committee. Details of Non-Executive Directors' letters of appointment are given in Table 2 below.

Table 2 – Non-Executive Directors' letters of appointment

Non-Executive Director	Date elected/re-elected at AGM	Date first appointed to the Board	Date last re-appointed to the Board	Unexpired term
John Allan	13 October 2020	1 August 2014	1 August 2020	25 months
Katie Bickerstaffe	N/A	1 March 2021	N/A	32 months
Nina Bibby	13 October 2020	3 December 2012	3 December 2018	5 months
Jock Lennox	13 October 2020	1 July 2016	1 July 2019	12 months
Chris Weston	N/A	1 March 2021	N/A	32 months
Sharon White	13 October 2020	1 January 2018	1 January 2021	30 months

Annual report on remuneration

In this section, we provide an overview of the Committee and its advisers, as well as how the Policy will be applied in FY22 and how it has been implemented throughout FY21, together with the resulting payments to Directors. The Annual Report on Remuneration will be subject to an advisory vote at the 2021 AGM.

Membership and attendance at Remuneration Committee meetings

Membership of the Committee comprises all of the Non-Executive Directors, and attendance at each of its scheduled meetings during the year is set out on page 71. The Committee is chaired by Katie Bickerstaffe. The Executive Directors are not members of the Committee and no-one is present at the Committee's meetings when their own remuneration is being considered.

Advisers to the Remuneration Committee

In carrying out its principal responsibilities, the Committee has the authority to obtain the advice of external independent remuneration consultants and is solely responsible for their appointment, retention

and termination. In line with best practice, the Committee assesses annually whether the appointment remains appropriate or if it should be put out to tender. The last such tender took place in 2017, resulting in PwC being appointed as the advisers to the Committee with effect from 1 January 2018. PwC is a signatory to the Remuneration Consultants Group's Code of Conduct. As part of the annual review and re-appointment process, the Committee satisfied itself that PwC remained objective and independent during the year.

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

During the year, the Committee has taken advice from PwC on its Policy and remuneration practice, implementation of its decisions and remuneration benchmarking. The Chair of the Committee also sought advice from PwC independent of management on various matters to be discussed at Committee meetings. The fees payable to PwC are based on an annual fixed fee for a specified service with anything outside this scope being charged

on a time and disbursement basis. PwC fees for services provided to the Committee during the year under review were £121,000.

The Committee also receives input into its decision making from the Chief Executive (David Thomas), the Company Secretary (Tina Bains) and the Group HR Director (Rob Tansey until 31 December 2020 and Nick Worrall from 1 January 2021), none of whom were present at any time when their own remuneration was being considered.

Main activities undertaken during the financial year

The Committee's role is to determine and agree the Policy for Executive Directors and Senior Management whilst taking into account the remuneration of the wider workforce. It follows an annual work programme which was fully completed during the year. The Committee's responsibilities, as delegated by the Board, are formally set out in its written Terms of Reference, which are available from our website at www.barrattdevelopments.co.uk/investors/corporate-governance. Details of the annual evaluation can be found on page 84.

Priorities	Work carried out and outcomes
Integrity of Financial Statements and announcements	With assistance from the Remuneration consultants, the Committee considered the Policy as approved by Shareholders at the 2020 AGM, and confirmed that it remains fit for purpose and is in line with best practice.
	Considered salaries and fees of Executive Directors and Senior Management for FY22 in the context of employees' pay, and agreed increases for Executive directors as set out on page 100, and an average of 4% for Senior Management.
	Considered the impact of exceptional and unusual items on the FY21 annual bonus and the 2018 LTPP vesting and agreed that the bonus and vesting outcomes were appropriate.
	Considered current performance conditions and agreed to include an ESG measure for both the FY22 annual bonus and the 2021 LTPP awards (see page 101 for further details).
	Reviewed current market practice and agreed as part of the next policy review to introduce a deferral of bonus based on a fixed proportion of the bonus earned as opposed to any amount earned in excess of 100% of salary.
Governance	Reviewed LTPP metrics, and agreed to align metrics for LTPP awards to Senior Management with those for the Executive Directors with the introduction of a TSR performance condition.
	Considered whether the share price used to determine the number of shares awarded under the 2020 LTPP would lead to an unjustified increase in the number of shares awarded and determined not to reduce the number of shares awarded. The Committee retains the discretion to reduce the number of shares on vesting should it appear that there is likely to be a windfall gain for the Executive Directors. Further details are given on page 94.
	Following the resignation of Jessica White, considered the implications of the Policy on her remuneration and how she should be treated as a leaver. Agreed the ongoing remuneration for the period to the end of her notice period on the basis that Jessica would be treated as a good leaver and in line with the Group's Policy.
	Considered and agreed the remuneration package of the new Chief Financial Officer, Mike Scott, details of which are provided on pages 100 to 102.
	With the assistance of the Group's legal advisors, undertook a review of Executive Directors' service contracts and confirmed that they remain fit for purpose.

Statement of implementation of the Remuneration Policy for FY22

Executive Directors' remuneration for FY22 will be based on the Policy approved by shareholders at the October 2020 AGM. Jessica White resigned as a Director with effect from 30 June 2021, and will therefore not receive additional remuneration as a Director during FY22. Details of her agreed remuneration package are given on page 108.

Base salary

The Committee reviewed the salaries of the Executive Directors in June 2021, taking into account their performance during the year, the annual salary review

for all other employees in the Group at 3% (including promotions the overall average increase was 4.31%), and the multiplier effect of an increase in base salary on the Directors' package as a whole. The Committee also took into account the performance of the Company and ensured that after any increase the salaries would remain within the range for similar sized companies and the housebuilding sector. Accordingly, it was agreed to award an increase in salaries of 3% for David Thomas, and 5% for Steven Boyes. The reasons for the additional increase in salary for Steven Boyes are set out in the Chair's statement on page 94. The Executive Directors' salaries with effect from 1 July 2021 will therefore be:

Table 3 – Executive Directors' salaries

Executive Director	Salary with effect from 1 July 2021 £000	Salary with effect from 1 July 2020 £000
David Thomas	780	757
Steven Boyes	629	599
Jessica White <sup>1</sup>	–	422

<sup>1</sup> Jessica White stepped down from her position as an Executive Director on 30 June 2021.

Mike Scott, the new Chief Financial Officer, will receive base pay of £480,000 per annum (pro-rata for FY22).



Pension

During FY22, David Thomas and Steven Boyes will both continue to receive a cash supplement of 25% of salary. With effect from 1 January 2023 their pension contributions (or cash supplement) will be reduced to a level equivalent to the workforce, currently 10% of base salary. Mike Scott, will receive a pension contribution (or cash supplement) of 10% of base salary from the date of his appointment.

Annual bonus

Executive Directors and Senior Management will participate in the Group's annual bonus scheme in accordance with the Policy. Mike Scott will receive a maximum bonus of 150% of salary, in line with Policy and the other Executive Directors, pro-rated to reflect the amount of FY22 he will be employed by the Company.

In view of the economic challenges and disruption to our business resulting from COVID-19, we have undertaken a comprehensive review of the measures and their weightings for the FY22 bonus. The Committee agreed that given that the FY21 bonus scheme had been adapted to take into account the impact of COVID-19, the FY22 bonus scheme should more closely reflect the FY20 bonus scheme in terms of metrics and weightings, and with an increased focus on sustainability. Accordingly, the following changes will apply to the FY22 bonus scheme to ensure that Executive Directors continue to be incentivised in line with our core business priorities for the year:

- **Profit before tax** – increased the maximum weighting back to 82.5% from 63.75% of salary;
- **Capital employed** – reduced the maximum weighting from 30% back to 15% of salary; and
- **Waste reduction** – introduced a new sustainability metric, within the strategic objectives, which focuses the business on reducing waste and making a positive impact on the environment. This will represent 15% of salary maximum.

The Committee is of the view that the individual annual bonus performance targets are commercially sensitive and, in line with market practice, will therefore be disclosed, with performance against them, in next year's Remuneration report.

The performance measures, their reasons for selection and the maximum bonus payment against each of them expressed as a percentage of salary for FY22 will be:

Table 4 – FY22 annual bonus performance measures

Performance measure	Financial/non-financial	Reason for selecting	Weighting (% of salary maximum)
Profit before tax	Financial	Rewards outperformance against stretching targets and is a key measure of our performance.	82.5
Capital employed	Financial	Ensures efficient use of available capital.	15.0
Quality and service (with a health & safety underpin <sup>1</sup> )	Non-financial	Ensures a focus on quality and service to our customers without compromising the health and safety of our employees, customers, suppliers, sub-contractors and members of the public.	22.5
<b>Strategic objectives:</b>			
Reduction of total waste generated compared to FY21	Non-financial	Focus individuals on specific factors required to meet the short and long term strategy of the business whilst aligning their interests with those of shareholders.	15.0
Trading outlets	Non-financial		15.0
Total bonus achievable as a % of salary			150.0 <sup>2</sup>

<sup>1</sup> Each division must first achieve a SHE Audit gate before being considered for the quality and service element.  
<sup>2</sup> Any bonus earned in aggregate in excess of 100% of salary will continue to be deferred into shares and held in the DBP. Dividend equivalents will accrue against any shares deferred into the DBP.

The Committee will continue to have an overriding discretion in respect of any bonus payment in accordance with its Policy. In addition, any bonus awarded for FY22 will be subject to the malus and clawback provisions set out on page 97 and in detail on page 132 of the FY20 Annual Report and Accounts of the Company's website at www.barrattdevelopments.co.uk.

LTPP

The Committee intends to grant an LTPP award to Executive Directors in October 2021 (2021 LTPP) of 200% of base salary, in line with the Policy. An LTPP award will be granted to Mike Scott after he commences employment with the Company. The value of the award will be 200% percent of salary, pro-rated to reflect the proportion of FY22 he will be employed by the Company. The Committee is cognisant that the 2021 award should be subject to performance targets which are stretching and challenging whilst aligned with the short and long term performance of the Group and its strategy as well as the interests of shareholders. The Committee has agreed that the independent performance conditions for the 2021 LTPP will be: TSR, EPS, Underlying ROCE and carbon reduction.

Table 5 – 2021 LTPP performance measures

Performance condition	Reason selected	Weighting (of total award)	Below threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)
TSR against a 50+/50-comparator group	To ensure that the comparator group remains current and relevant whilst factoring in the continued movement in the Company's market capitalisation.	15%	Below median	Median	Upper quartile
TSR against a housebuilder index <sup>1</sup>	To ensure rewards are linked to outperformance of our peers.	15%	Below index average of peer group	Index average of peer group	Index average +8% per annum
EPS for the financial year ending 30 June 2024	To ensure efficient and effective management of our business and align interests with those of shareholders.	15%	Below 79p	79p	87p
Underlying ROCE for the financial year ending 30 June 2024	To ensure efficient and effective management of our business and align interests with those of shareholders.	40%	Below 19%	19%	22%
Greenhouse gas/carbon reduction	To ensure focus on reducing our Scope 1 and Scope 2 greenhouse gas emissions <sup>2</sup> by 25% (from 2018 levels) before 2025.	15%	20% reduction	25% reduction	30% reduction

<sup>1</sup> The housebuilder index will comprise: Bellway, Berkeley Homes, Countryside Properties, Crest Nicholson, Persimmon, Redrow, Taylor Wimpey and Vistry Group.  
<sup>2</sup> Further information on Scope 1 and Scope 2 greenhouse gas emissions can be found in the Strategic report, pages 21 to 23.

Vesting will be on a straight-line basis between threshold and maximum. In addition, all LTPP awards are subject to a two-year post vesting holding period and an overriding Committee discretion, as set out in the Policy table on page 129 of the FY20 Annual Report and Accounts. The 2021 LTPP will also be subject to the malus and clawback provisions summarised on page 97 and set out in detail on page 132 of the FY20 Annual Report and Accounts. The FY20 Annual Report and Accounts can be found on the Company's website at www.barrattdevelopments.co.uk.



# Remuneration report

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## Annual report on remuneration

### Additional payments to Mike Scott following recruitment

On 29th June 2021, we announced the appointment of Mike Scott as our new CFO. Mike will join Barratt at a date to be agreed. The remuneration package agreed for Mike is set out on pages 100 to 101 above for FY22, and is in accordance with our approved Policy. Besides base salary, he will receive benefits including a company car allowance, private health insurance, death in service benefits, holiday entitlement, PHI and an annual allowance towards obtaining financial and tax advice, all of which fall within the approved Policy.

In accordance with our Policy for new joiners, the Committee has agreed to grant Mike conditional awards over Barratt shares to compensate him for the value of the awards forfeited by him on leaving his previous employment to join the Group ('Replacement Awards'). In accordance with our Policy, the value of the Replacement Awards is no more than awards forfeit from his previous employer. The structure and time frames of Replacement Awards will also reflect the forfeited awards insofar as possible. The undertaking to make these Replacement Awards facilitated the recruitment of Mike as the Group's new CFO, and was designed to achieve a balance acceptable to Mike and to the Company and its shareholders.

The details of the Replacement Awards are as follows:

- To compensate Mike for the loss of deferred bonus shares which have no performance conditions and are due to vest on 12 December 2022, Mike will receive Barratt shares with an equivalent face value and the same vesting date, subject to Mike remaining in Barratt's employment at the vesting date. The face value of the shares (£159,988) was determined by reference to share prices at 22 June 2021, and the number of Barratt shares that will be awarded is 22,559.
- To compensate Mike for the loss of LTIP awards with his previous employer, the LTPP awards shown in Table 6 will be made over Barratt shares vesting in October 2022 and 2023.

Table 6 – Mike Scott replacement LTPP awards

Performance period	Vesting date	Replacement awards	Value of replacement awards	% of Salary (£480,000)
LTPP				
1 July 2019 – 30 June 2022	October 2022	22,560	£159,996	33%
LTPP				
1 July 2020 – 30 June 2023	October 2023	67,681	£479,994	100%
<b>LTPP total</b>		<b>90,241</b>	<b>£639,990</b>	

The value of these replacement LTPP awards was set to reflect a forecast vesting outcome of awards forfeited, based on a robust testing process and will be further subject to the achievement of Barratt LTPP performance conditions. These awards will be made on the same terms and are subject to the same performance conditions as the awards made under the Company's LTPP in 2019 and 2020 to the incumbent Executive Directors.

The Replacement Awards are not pensionable or transferable. In accordance with the Policy, Mike will be required to retain all of the shares vesting from his Replacement Awards (net of tax and NI) in order to build towards his shareholding requirement.

### Non-Executive Directors' fees

During the year, a committee of the Board comprising the Company Chair and the Executive Directors undertook a benchmarking exercise to consider fees paid to Non-Executive Directors by companies of a similar size to Barratt and other housebuilders. This showed that the fees paid to the Committee Chairs, the Senior Independent Director and the Designated NED for Workforce Engagement by Barratt were all below lower quartile. It was agreed that the fees for these positions should be increased, and a fee for membership of committees introduced in line with market practice and to reflect the increased time and commitment that Non-Executive Directors are being asked to dedicate due to the increase in governance demands, more complexities in the business due to sustainability and the impact of COVID-19. In addition, the Committee agreed to award a 4.8% increase to the base fee for Non-Executive Directors for FY22. The annual fee payable to the Chair was increased by 3%, which is in line with the annual salary review for the wider workforce. The annual fees payable to the Chair and Non-Executive Directors with effect from 1 July 2021 will therefore be as follows:

Table 7 – Non-Executive Directors' fees

Role	Fee as at 1 July 2021 £000	Fee as at 1 July 2020 £000
Chair	<b>343</b>	333
Non-Executive Director base fee	<b>66</b>	63
Committee membership (per committee)	<b>3</b>	–
Chair of Audit Committee	<b>17</b>	12
Chair of Remuneration Committee	<b>17</b>	12
Chair of Safety, Health and Environmental Committee	<b>17</b>	6
Senior Independent Director	<b>17</b>	8
Designated NED for Workforce Engagement	<b>10</b>	6

The current aggregate limit on Non-Executive Directors' fees is £800,000, as described in the Policy. A resolution to increase the aggregate limit to £1,000,000 will be put to shareholders for approval at the 2021 AGM.

### Directors' remuneration outcomes for the year ended 30 June 2021

#### Single figure of remuneration

The total remuneration for each of the Directors serving during the year for the financial year ended 30 June 2021 is as set out in Tables 8 and 9. The salary for all Directors is the amount received in the year.

Table 8 – Executive Directors' single figure of remuneration (audited)

	Base Salary £000		Benefits <sup>2</sup> (taxable) £000		Pension benefits £000		Total fixed pay £000		Annual bonus <sup>4</sup> £000		LTPP £000		Sharesave £000		Total variable pay £000		Total £000	Total £000
	2020/21	2019/20 <sup>1</sup>	2020/21	2019/20	2020/21	2019/20 <sup>3</sup>	2020/21	2019/20	2020/21	2019/20	2020/21 <sup>5</sup>	2019/20 <sup>6</sup>	2020/21 <sup>7</sup>	2019/20 <sup>8</sup>	2020/21	2019/20	2020/21	2019/20
David Thomas	<b>757</b>	741	<b>26</b>	29	<b>189</b>	189	<b>972</b>	959	<b>1,123</b>	–	<b>1,793</b>	282	–	10	<b>2,916</b>	292	<b>3,888</b>	1,251
Steven Boyes	<b>599</b>	586	<b>40</b>	36	<b>150</b>	150	<b>789</b>	772	<b>889</b>	–	<b>1,419</b>	224	<b>1</b>	–	<b>2,309</b>	224	<b>3,098</b>	996
Jessica White	<b>422</b>	413	<b>17</b>	16	<b>63</b>	63	<b>502</b>	492	<b>626</b>	–	<b>1,000</b>	158	–	–	<b>1,626</b>	158	<b>2,128</b>	650
<b>Total</b>	<b>1,778</b>	1,740	<b>83</b>	81	<b>402</b>	402	<b>2,263</b>	2,223	<b>2,638</b>	–	<b>4,212</b>	664	<b>1</b>	10	<b>6,851</b>	674	<b>9,114</b>	2,897

- The base salary for each of the Directors in 2019/20 is the amount received in that year, and takes into account a voluntary reduction of 20% in April and May 2020 while our construction sites were temporarily closed as a consequence of COVID-19.
- Benefits (taxable) include the provision of a company car or car allowance, private medical insurance, some telephone costs and contributions towards obtaining independent financial and tax advice, and are provided based on market rates.
- The Directors' pension benefits in 2019/20 were not reduced to take into account the voluntary reduction in salary referred to in note <sup>1</sup> above.
- Annual bonus includes amounts deferred for David Thomas, Steven Boyes and Jessica White (see Table 11 on page 104).
- Performance conditions for the LTPP were tested after 30 June 2021. 80% of the award granted to each of the Executive Directors is due to vest in October 2021 (see Tables 12 and 13 on page 105 for further details). The market price of the shares has been calculated based on an average market value over the three months to 30 June 2021 (£7.55 per share). 26% of the value of the award is attributable to share price growth.
- In accordance with regulatory requirements, the values in this column have been re-calculated using a share price of £6.45 per share being the market value of the shares on the vesting date, 24 November 2020, as opposed to the market price of £5.00 per share calculated based on an average market value over the three months to 30 June 2020 disclosed in last year's Remuneration report.
- The Sharesave shares granted in April 2017, which matured on 1 July 2020, was subject to no performance measures other than a continued employment condition and completion of a savings contract. The value is calculated using the difference between the exercise price of £4.64 and a share price of £4.94 (the mid-market closing price of a share on the date of maturity).
- The Sharesave shares granted in April 2014, which matured on 1 July 2019, was subject to no performance measures other than a continued employment condition and completion of a savings contract. The value is calculated using the difference between the exercise price of £3.49 and a share price of £5.77 (the mid-market close price of a share on the date of maturity).

Table 9 – Non-Executive Directors' single figure of remuneration (audited)

	Fees £000		Benefits (taxable) £000		Total £000	
	2020/21	2019/20 <sup>1</sup>	2020/21 <sup>4</sup>	2019/20 <sup>5</sup>	2020/21	2019/20
John Allan	<b>333</b>	325	<b>1</b>	1	<b>334</b>	326
Richard Akers <sup>2</sup>	<b>75</b>	87	–	–	<b>75</b>	87
Nina Bibby	<b>63</b>	62	–	–	<b>63</b>	62
Katie Bickerstaffe <sup>3</sup>	<b>23</b>	–	–	–	<b>23</b>	–
Jock Lennox	<b>77</b>	74	–	–	<b>77</b>	74
Chris Weston <sup>3</sup>	<b>22</b>	–	–	–	<b>22</b>	–
Sharon White	<b>64</b>	62	–	–	<b>64</b>	62
<b>Total</b>	<b>657</b>	610	<b>1</b>	1	<b>658</b>	611

- The fees for each of the Directors above who received a salary in 2019/20 is the amount received in that year, and takes into account a voluntary reduction of 20% in April and May 2020 while our construction sites were temporarily closed as a consequence of COVID-19.
- Richard Akers stood down from the Board with effect from 4 May 2021. The benefits shown for Richard include £3,029 for gifts, including the tax payable on them, presented to Richard by the Board on his departure.
- Katie Bickerstaffe and Chris Weston were appointed to the Board with effect from 1 March 2021.
- Benefits (taxable) for 2020/21 include expenses incurred in attending the Company's main corporate office and are £706 for John Allan.
- Benefits (taxable) for 2019/20 include expenses incurred in attending the Company's main corporate office and were £1,093 for John Allan.

# Remuneration report

Annual report on remuneration

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## Annual bonus

For FY21, the business was focused on increasing operational capacity after the site closures in FY20, with a strong emphasis on ensuring the safety of its workforce, customers and suppliers and whilst maintaining high customer service levels. The bonus measures were set accordingly, with increased weighting given to the SHE measure. Appropriate financial targets were set in November 2020, following completion of the first quarter of the FY21 financial year, and taking into consideration internal and external consensus forecasts. The Committee agreed to retain the outlet opening metric as it was deemed to be a more effective target than the land and sites measure disclosed in the FY20 Remuneration report given that the definition of an outlet for bonus purposes ultimately means that land would need to be acquired for this target to be achieved. The business remained operational throughout the year under review, all furlough money was re-paid to the Government, all business rates were also returned in full and dividend payments for the year have been reinstated.

As in previous years, Executive Directors had the potential to earn an annual bonus of up to 150% of base salary based on the attainment of Group performance targets which are linked directly to the Group's strategy. Any bonus earned in excess of 100% of base salary is deferred into shares for a period of three years and is subject to a continued employment condition. The Group performance targets and performance against them for FY21 are set out in Table 10 below. The Committee considers the outcome is appropriate and reflects overall performance of the Group over the year, and no discretion was exercised in relation to the bonus outcomes.

Table 10 – Annual bonus (audited)

Bonus target	Strategic objective	Targets	Potential bonus weighting % of salary	Actual performance achievement	Bonus achieved % of salary
Pre-tax profit	To support profitability.	Threshold: £593m Target: £608m Maximum: £638m	12.75% 31.875% 63.75%	£812.2m	63.75%
Capital employed <sup>1</sup>	To incentivise improvement of capital management.	Above Target Target: £1,604m Maximum: £1,564m	0% 15% 30%	£1,307.2m	30%
SHE <sup>2,3</sup>	To ensure focus on the health and safety of our employees and other stakeholders.	Divisions to achieve SHE audit of 94% including measures for COVID-19 compliance.	11.25%	96.5%	11.25%
Customer care (with health and safety underpin) <sup>4</sup>	To ensure a focus on quality and service to our customers without compromising the health and safety of our employees and other stakeholders.	Divisions to achieve SHE audit of 94% and 90% recommend score for customer service.	22.5%	25/27 divisions	20.83%
Outlet openings	To open the optimum number of trading outlets to ensure growth and delivery of our business plan.	Threshold: 98 Target: 102 Maximum: 107	4.5% 11.25% 22.5%	144	22.5%

<sup>1</sup> See definition on page 178.

<sup>2</sup> In the case of a material breach of SHE policy or procedures, the SHE Committee retained the discretion to recommend the withholding of all or part of the bonus depending on the nature of the breach.

<sup>3</sup> For the first half of FY21, to emphasise the importance of full compliance with COVID-19 safety measures, only the SHE audit score was used as a target for this element of the bonus plan. For the second half of the year, the SHE audit score was used as a gateway to the customer service element.

<sup>4</sup> The quality and service measure is pro-rated based on the number of divisions achieving both targets.

## Executive Directors' deferred bonus

Any bonus earned in excess of 100% of salary will be deferred into shares for each of the Executive Directors as set out in Table 11 below. The number of shares that will be awarded will be calculated based on the average closing share price for the first five dealing days following the date on which the Group publishes its FY21 annual results, and will be announced via the Regulatory Information Service when the shares are awarded. Shares are held for three years from the date they are awarded, subject normally to continued employment.

No bonus was awarded for FY20.

Table 11 – Executive Directors' deferred bonus (audited)

	FY21 deferred bonus				
	Annual bonus £000	Salary payable %	Salary in cash %	Salary deferred %	Amount deferred £000
David Thomas	1,123	148.3	100	48.3	366
Steven Boyes	889	148.3	100	48.3	290
Jessica White	626	148.3	148.3	0 <sup>1</sup>	0

<sup>1</sup> Following Jessica White's resignation, it was agreed that given that Jessica would step down as an Executive Director on 30 June 2021 and leave the business on 31 July 2021 that any bonus earned for FY21 would be paid entirely in cash, in accordance with the Company's approved Policy.

## Long Term Performance Plans

### Vesting of 2018 LTPP (included in FY21 single figure of remuneration)

The 2018 LTPP award granted on 22 October 2018 was based on the three year performance period to 30 June 2021. The award is subject to three performance conditions, 40% TSR (half of which is measured against a 50+/50- comparator group and the other half against a housebuilder index), 20% EPS and 40% ROCE. The resulting vesting levels are as follows:

Table 12 – Vesting of 2018 LTPP (audited)

Metric	Performance condition	Threshold (25% vesting)	Maximum (100% vesting)	Actual	Portion of award vesting
EPS	EPS growth for the financial year ended 30 June 2021.	75p	84p	65.1p <sup>1</sup>	0%
Underlying ROCE	To increase underlying ROCE	19%	22%	23.5%	40%
TSR (FTSE)	TSR against the 50 companies above and below the Company in the FTSE index measured over three financial years with a three-month average at the start and end of the performance period. 25% of this element vests for median performance and 100% of this element vests for upper quartile performance or above.	Median ranking of 44.5 (TSR of 17.7%)	Upper quartile ranking of 22.8 (TSR of 54.4%)	Rank of 19.9 (TSR of 59.8%)	20%
TSR (Housebuilder) <sup>2</sup>	TSR of at least the Index average of a housebuilder Index measured over three financial years with a three-month average at the start and end of the performance period. 25% of this element vests for peer group and 100% of this element vests for Index average +8% per annum or above.	Unweighted Index average (TSR of 27.1%)	Unweighted Index average + 8% (TSR of 53.1%)	Above unweighted index average (TSR of 59.8%)	20%
Total level of award vesting					80%

<sup>1</sup> The basic EPS of 64.9 pence has been re-based using the same number of shares in issue as was used in setting the 2018 LTPP targets. The re-based EPS used for the purpose of determining vesting, which is directly comparable to the 2018 LTPP targets, was 65.1 pence.

<sup>2</sup> The housebuilder Index comprises: Bellway, Berkeley Homes, Countryside Properties, Crest Nicholson, Persimmon, Redrow, Taylor Wimpey and Vistry Group.

The Committee considered the underlying financial performance of the Group and was satisfied that given the continued improvement in the Group's financial results, the level of vesting was justified. No Committee discretion was exercised in relation to the LTPP vesting outcome. The 2018 LTPP accrued dividend equivalents in accordance with the rules of the scheme. The amount of dividend equivalent to be paid, in cash, on vesting will be pro-rated in line with the number of shares that vest. The gross number of shares to be released to each of the Executive Directors and the value of the dividend equivalents are as follows:

Table 13 – 2018 LTPP vesting outcomes (audited)

Executive Director	Number of shares at grant	Number of shares to lapse	Total number of shares to vest <sup>1</sup>	Estimated value of vested shares <sup>2</sup> (£000)	Value of dividend equivalents earned on vested shares <sup>2</sup> (£000)	Total Estimated value <sup>2</sup> (£000)
David Thomas	272,426	54,486	217,940	1,646	147	1,793
Steven Boyes	215,602	43,121	172,481	1,302	117	1,419
Jessica White	151,945	30,389	121,556	918	82	1,000

<sup>1</sup> The relevant number of shares will be released to each participant as soon as is practicable following the vesting date. The awards are subject to a two-year post vesting holding period commencing 1 July 2021.

<sup>2</sup> The estimated values of the vested shares and the dividend equivalents are based on the average share price during the three months to 30 June 2021 (£7.55 per share). The estimated values include a total of £463,560, £366,870 and £258,550, for each of David, Steven and Jessica respectively, which relate to share price increases from the date the shares were awarded.

### LTPP granted during the year (2020 LTPP)

On 30 November 2020, the following 2020 LTPP awards were granted to Executive Directors as set out in Table 14 below, and are subject to three performance conditions, 40% TSR (half of which is measured against a 50+/50- comparator group and the other half against a housebuilder index), 20% EPS and 40% ROCE. The levels of vesting against TSR are measured over a three-year period commencing 1 July 2020, and against EPS and ROCE for the financial year ending 30 June 2023. On completion of the performance period, assuming that shares vest, they will be subject to a further two-year holding period. No discretion was used by the Committee in determining the basis of the award granted, which is in line with previous years, however the outcome will be reviewed at vesting to ensure no windfall gains have occurred as a result of changes in the share price between the grant and vesting.



Table 14 – LTPP granted during FY21 (audited)

Executive Director	Type of award	Basis of award granted	Share price at date of grant¹ (pence)	Number of shares over which award was granted	Face value of award (£000)	% of face value that would vest at threshold performance	Vesting determined by performance over
David Thomas	Conditional award	200% of salary £757,155	537	282,004	1,514	25	Three financial years to 30 June 2023
Steven Boyes	Conditional award	200% of salary £599,225	537	223,183	1,198	25	
Jessica White²	Conditional award	200% of salary £422,300	537	157,287	845	25	

¹ Based on the average of the closing prices, as derived from the London Stock Exchange daily official list, for each of the dealing days in the period of three months ending on 29 November 2020, being the day before the date of grant.
² The number of shares to which Jessica White is entitled has been pro-rated to 56,462, following her stepping down as CFO of the Company on 30 June 2021. Further details can be found on page 108.

At the time of the grant given the uncertainties caused by COVID-19 and the economic outlook, it was difficult to set meaningful targets for the 2020 LTPP. The Committee therefore agreed to set the targets applicable to the 2020 LTPP award within six months of the grant when there would be more clarity over the Group’s medium term outlook. On 1 April 2020, the Company announced that the targets applicable to the 2020 LTPP were as set out in Table 16 below.

Performance of 2019 and 2020 LTPP awards

The following tables show the targets set on grant for each of the current LTPP awards together with performance to date.

The potential level of vesting if performance were measured over two years to 30 June 2021:

Table 15 – 2019 LTPP award performance against targets

Performance target	Below threshold (0 % vesting)	Threshold (25% vesting)	Maximum (100% vesting)	Performance as at 30 June 2021	Level of vesting had the award vested as at 30 June 2021
TSR FTSE¹	Below median	Median	Upper quartile	Upper quartile	89.7%
TSR Housebuilder²	Below unweighted index average	Unweighted index average	Unweighted index average +8% p.a	Below unweighted index average	0%
EPS	<76 pence	76 pence	85 pence	65.1 pence	0%
Underlying ROCE	<19.0%	19.0%	22.0%	23.5%	100%
Total					58%

The potential level of vesting if performance were measured over one year to 30 June 2021:

Table 16 – 2020 LTPP award performance against targets

Performance target	Below threshold (0 % vesting)	Threshold (25% vesting)	Maximum (100% vesting)	Performance as at 30 June 2021	Level of vesting had the award vested as at 30 June 2021
TSR FTSE¹	Below median	Median	Upper quartile	Upper quartile	72.4%
TSR Housebuilder²	Below unweighted index average	Unweighted index average	Unweighted index average +8% p.a.	Above unweighted index average	100%
EPS	<76 pence	76 pence	88 pence	65.1 pence	0%
Underlying ROCE	<19.0%	19.0%	22.0%	23.5%	100%
Total					74%

¹ The comparator group for TSR FTSE is each of the members ranking 50 above and 50 below the Company in the FTSE Index.
² The housebuilder Index comprises: Bellway, Berkeley Homes, Countryside Properties, Crest Nicholson, Persimmon, Redrow, Taylor Wimpey and Vistry Group.

Vesting is on a straight line basis between threshold and maximum and the LTPP awards will accrue dividend equivalents in accordance with the rules of the scheme. The amount of dividend equivalent to be paid, in cash, on vesting will be pro-rated according to the number of shares that vest.

The Committee has the discretion to adjust the number of shares vesting from each LTPP award if it considers that the vesting outcome is not sufficiently reflective of the underlying performance of the Company and to mitigate against any potential windfall gains for the Executive Directors.

Statement of Directors’ shareholding and share interests

For the financial year ended 30 June 2021, Executive Directors were required to hold shares in the Company equivalent in value to 200% of salary. The Executive Directors are expected to meet this requirement no later than the fifth anniversary of joining the Board, with progress being made towards its achievement throughout the period. The share price used for the purposes of determining the value of the shares is by reference to the higher of the share price paid on acquisition or vesting and the share price at the close of business of the London Stock Exchange on 30 June or the date of leaving, as applicable. Participants who have not built up the required level of shareholding by the fifth anniversary of joining the Board, will not be eligible for inclusion in future share-based incentive schemes. In addition, they will not be allowed to sell any of the net of tax shares released from incentive schemes until

they reach the levels specified, unless exceptional circumstances exist in the opinion of the Committee. The Committee retains discretion to adjust the length of time in which the required amount of shareholding needs to be accrued in order to adjust for events out of the Director’s control. The Committee reserves the right to amend the percentage holding required by the Executive Directors depending on market conditions and best practice guidance. At 30 June 2021, David Thomas and Steven Boyes had met their shareholding requirements. Jessica White had until 21 June 2022 to meet her shareholding requirement, but has now stepped down from the Board.

Taking into consideration recent changes to market practice and investor guidelines, the post cessation shareholding requirement for the Executive Directors is the lower of their shareholding requirement (currently 200% of salary) or their actual shareholding on the date of leaving. The Committee

has agreed that to ensure continued enforcement of the post-employment shareholding requirement, a contractual agreement that they will not dispose of the shares will be concluded with the Director, and such an agreement has been concluded with Jessica White.

The interests of the Directors serving during the financial year (or for Richard Akers, his interests on 4 May 2021, the date he ceased to be a Director) and their connected persons in the ordinary share capital of the Company at the beginning and end of the year are shown in Table 17 below.

On 19 July and 26 July 2021, David Thomas and Steven Boyes exercised their Sharesave options, and full details are given in the footnotes to Table 17 below. No other notification has been received of any change in the interests shown during the period 30 June 2021 to 31 August 2021 inclusive.

Table 17 – Directors’ interests in shares as at 30 June 2021 (audited)

	Other shares held		Options		Shareholding requirements		
	Beneficially owned	Interests subject to performance conditions (LTPP)	Interests not subject to performance conditions (DBP)	Interests in Sharesave options¹	Shareholding requirement % salary	Current shareholding % salary⁴	Shareholding requirement met?
Executive Directors							
David Thomas	1,052,261	792,454	103,122	8,485²,³	200%	1,016%	Yes
Steven Boyes	500,583	627,161	93,944	5,467²,³	200%	638%	Yes
Jessica White⁵	81,149	441,988	66,206	6,465	200%	191%	No
Non-Executive Directors							
John Allan	76,705						
Richard Akers	60,000						
Katie Bickerstaffe	6,000						
Nina Bibby	8,500						
Jock Lennox	10,000						
Chris Weston	–						
Sharon White	363						

The Chair and Non-Executive Directors are not awarded incentive shares and are not subject to a shareholding requirement.

¹ All of these options were unvested at 30 June 2021.
² On 1 July 2021, 3,112 of David Thomas’ and 2,004 of Steven Boyes’ Sharesave options matured. On 19 July and 26 July 2021 respectively, David and Steven exercised their options to purchase their Sharesave shares, all of which they retained. The exercise price for David’s options was £4.82 and the share price on the date of exercise was £6.70, giving an aggregate gain of £5,857. The exercise price for Steven’s options was £4.49 and the share price on the date of exercise was £7.11, giving an aggregate gain of £5,254.
³ During the year, David Thomas and Steven Boyes were granted 2,483 and 1,490 Sharesave options respectively. David’s options are exercisable for six months from 1 July 2026 and Steven’s for six months from 1 July 2024. The option price of both awards was £6.04, representing a 20% discount on the average share price for the five business days immediately before the invitation to participate in the award (£7.54). The number of shares granted was based on the option price and the total savings amount forecast at the end of the respective savings periods. The face values of the options based on the average share price above were £18,722 and £11,235 respectively. There are no performance targets associated with this award.
⁴ The share price used for the purposes of determining the value of the shares is £6.95, being the mid market closing price on 30 June 2021. The value of DBP shares used is net of income tax and national insurance contributions which the Directors would have to pay on exercise.
⁵ Jessica White stood down from the Board on 30 June 2021. Details of her post cessation shareholding requirement are given on page 108.

All conditional awards and share options are subject to an overriding Committee discretion, in that the Committee must be satisfied that the underlying financial performance of the Group over the performance period warrants the level of vesting as determined by applying the relevant targets. If the Committee is not of this view, it has the authority to reduce the level of vesting, including to nil, as it deems appropriate.

Executive Directors'
pension arrangements

The Company's pension policy for Executive Directors is that on joining the Group they will be auto-enrolled unless they choose to opt out. On opting out, the Executive Director may choose to receive a cash supplement (which does not count for incentive purposes) and/or participate in the Company's defined contribution money purchase pension plan. Each Executive Director has opted to receive a cash supplement in lieu of pension. For FY21, David Thomas and Steven Boyes received an amount equal to 25% of base salary in line with market practice at the time of their appointment. Jessica White received an amount equal to 15% of base salary in line with the Policy for new Executive Directors at the date of her appointment. Only the base salary element of a Director's remuneration is pensionable.

The Executive Directors' cash supplement in lieu of pension will reduce to be in line with that of the wider workforce, which is currently at 10% of base salary, with effect from 1 January 2023.

Defined benefit section

Steven Boyes was a deferred member of the defined benefit section of the Barratt Group Pension and Life Assurance Scheme (the 'Scheme') during the year ended 30 June 2021.

The Scheme was closed to new entrants in 2001 and on 30 June 2009, the Company exercised its consent under the rules of the Scheme and agreed to cease offering future accrual of defined benefits for current members. Members of the Scheme became eligible to join the defined contribution money purchase section of the Scheme with effect from 1 July 2009.

Until 30 June 2009, Steven Boyes was an active member of the defined benefit section of the Scheme. His entitlement was based on a 1/60 accrual rate and a normal retirement age of 65. This benefit became deferred on 30 June 2009 and it will be revalued over the period from that date to retirement in line with the Scheme Rules. Steven Boyes' accrued pension as at 30 June 2021 was £64,321 per annum. Steven Boyes may take early retirement, subject to him meeting certain legislative restrictions, but the accrued pension will be reduced to take account of its early repayment.

Since 1 July 2009, Steven Boyes has been entitled to receive a cash supplement details of which can be found on page 100.

The actuarial valuation of the Scheme as at 30 November 2019 showed a deficit of £14.0m calculated on the basis of the Scheme's technical provisions.

On 16 June 2020, the Trustees of the Scheme purchased a bulk annuity policy. Under the policy, the insurer paid to the Scheme an amount equal to the benefit payments due to be paid by the Scheme to the members. The Company paid contributions totalling £8.5m for FY20 under the previous contribution plan, however there were no contributions paid for FY21. All the conditions of a buyout were met by 30 June 2021, the liabilities that were previously covered by the buy-in policy were transferred to the insurer and were no longer liabilities of the Scheme and the final balancing premium has been settled. The valuation for the Financial Statements was updated as at 30 June 2021 by a qualified independent actuary. Further information on the defined benefit scheme is provided in note 6.2.2 to the Financial Statements on pages 158 to 161.

Members of the Scheme are also eligible for an insured lump sum on death in service in accordance with their terms of employment. Current employees who were members of the defined benefit section of the Scheme at closure also retain their dependants' pension entitlements.

No excess retirement benefits have been paid to or are receivable by current and/or past Directors in respect of their qualifying services during the financial year and there are no arrangements in place that guarantee pensions with limited or no abatement on severance or early retirement.

Payments to former Directors (audited)

No payments were made to any former Directors during the year ended 30 June 2021 (30 June 2020: £nil).

Payments for loss of office (audited)

Jessica White stepped down as a Director and Chief Financial Officer on 30 June 2021 and left the business on 31 July 2021. Details of Jessica's remuneration for FY21, including her 2018 LTPP vesting, are provided in the section on Directors' remuneration outcomes for FY21, on pages 103 to 106 above. In accordance

with the Company's Policy, legal expenses of £12,000 relating to Jessica's departure were paid by the Company during FY21.

Jessica received her basic salary, pension allowance, car allowance, taxable benefits, and pay in lieu of untaken holiday entitlement, in accordance with her service agreement, up to and including 31 July 2021. In line with the Company's Policy, Jessica also received a leaving gift when she left the Company in July 2021. The value of these payments will be disclosed in accordance with the regulations in the FY22 Remuneration report.

The Committee determined that, in line with the Policy and the rules of the relevant plans, Jessica would be treated as a good leaver and agreed the following remuneration for the unexpired period of her notice, 1 August 2021 to 4 March 2022:

Salary and benefits: A payment in respect of Jessica's salary pension allowance, car allowance and taxable benefits for the unexpired period of her notice will be paid in equal monthly instalments from August 2021 to February 2022. The payment of such instalments will be subject to mitigation and will be reduced in the event that Jessica takes up an alternative remunerated position prior to 4 March 2022. In accordance with the regulations, the amounts paid will be disclosed in the FY22 remuneration report. Jessica will continue to receive insurance-based benefits (private medical, death in service and group income protection) until the date on which her notice would otherwise have expired or, if earlier, the date on which she takes up alternative employment.

Annual Bonus: Jessica will not be eligible to receive any bonus in respect of the financial year ending 30 June 2022.

LTPP: Jessica will not be granted an LTPP award during FY22. In accordance with the rules of the LTPP, Jessica's outstanding untested LTPP share awards will vest on the normal vesting dates, subject to satisfaction of the relevant performance conditions and on a time pro-rated basis as detailed below:

Table 18 – Jessica White's outstanding LTPP time pro-rated

Table with 5 columns: Award, Number of shares subject to award, Maximum number of shares which could vest (subject to performance conditions), Vesting date, Holding Period. It contains data for 2019 LTPP and 2020 LTPP awards.

Any dividend equivalents accrued in respect of these awards will be paid in cash following vesting and will be prorated in line with the level of vesting of the relevant LTPP award. In accordance with the rules of the LTPP, Jessica will be required to retain and will not be permitted to transfer or otherwise dispose of any shares that have vested under the LTPP for a period of two years after the relevant performance period, as shown in the table above.

DBP: Jessica's outstanding unvested 2018 DBP award over 32,973 shares and the 2019 DBP award over 33,233 shares will vest in full on the normal vesting dates, 22 October 2021 and 24 October 2022 respectively, subject to the rules of the DBP. Any dividend equivalents accrued in respect of these awards would be paid in cash following vesting.

Sharesave: Jessica's Sharesave options will remain exercisable for 6 months after her leaving date.

Post-cessation shareholding: Jessica is contractually bound to hold Barratt shares in accordance with the transitional arrangements in place for incumbent Executive Directors under the Company's Shareholding Retention Policy which are equivalent to 75% of salary as at 31 July 2021 plus the value of share awards received that vested in 2020 onwards, up to a maximum of her actual level of shareholding as at 31 July 2021 for a period of two years commencing 1 July 2021.

All payments to Jessica, including those made post-employment, have been made in accordance with the Remuneration Policy, including the application of malus and clawback provisions. Other than the payments disclosed above, Jessica will not be eligible for any remuneration or payments for loss of office.

Chief Executive's relative pay

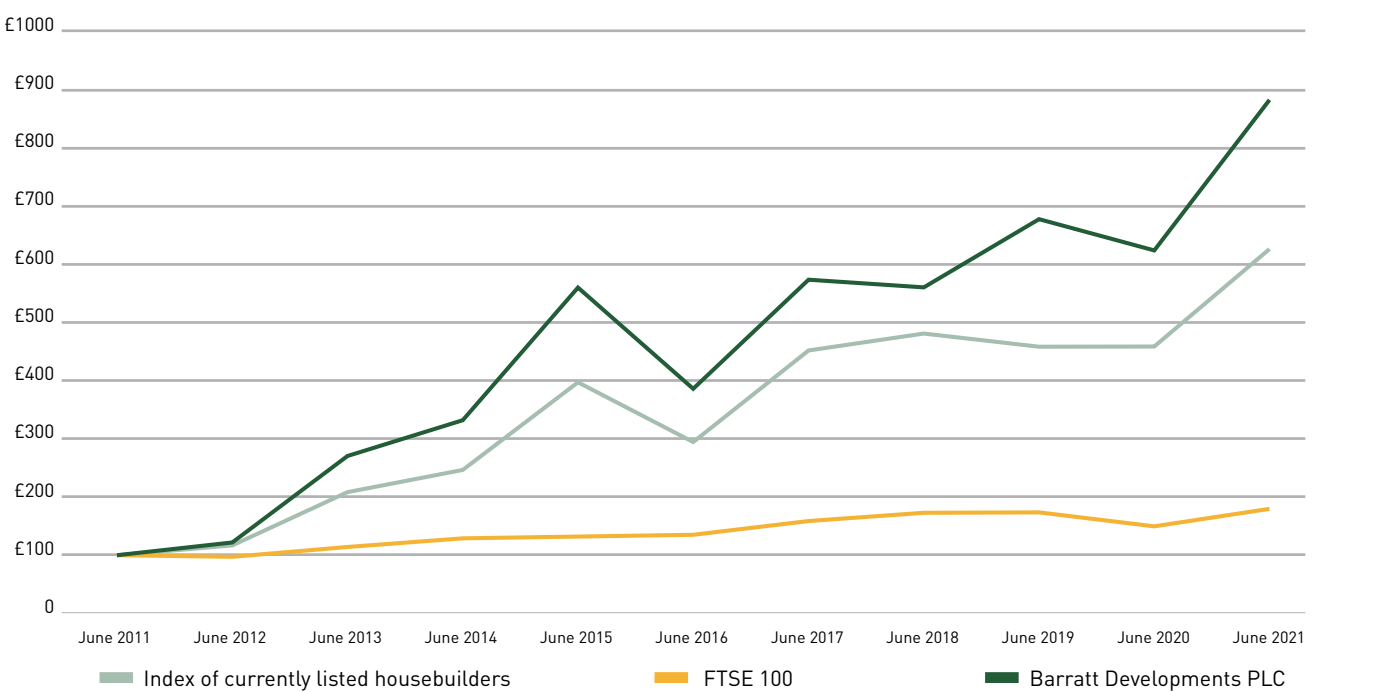
Table 19 sets out: (i) the total pay, calculated in line with the single figure methodology; (ii) the annual bonus payout as a percentage of maximum; and (iii) long term incentive vesting level for the Chief Executive over a ten-year period.

Table 19 – Chief Executive's pay

Table with 11 columns: Ten years to 30 June 2021, Mark Clare (2012-2015), David Thomas (2016-2021), 2021. Rows include Chief Executive's total pay (£000), Bonus outturn (as a percentage of maximum opportunity), and LTI vesting (as a percentage of maximum award).

TSR performance graph

The graph below, prepared in accordance with the regulations, shows the TSR performance over the last ten years against the FTSE 100 and against an unweighted index of listed housebuilders. The Board has chosen these comparative indices as the Group and its major competitors are constituents of one or both of these indices. The TSR has been calculated using a fair method in accordance with the regulations.



Source: Datastream by Refinitiv



# Remuneration report

CONTINUED

## Annual report on remuneration

### Annual percentage change in remuneration of Directors compared to employees

Table 20 shows the percentage change in salary, taxable benefits and annual bonus set out in the relevant single figure of remuneration tables paid to each Director compared to that of the average pay of all employees of the Group in respect of the financial years ended 30 June 2020 and 30 June 2021 compared with their prior years.

Table 20 – Percentage change in remuneration						
	FY21			FY20		
	Salary/fees % change <sup>1</sup>	Benefits % change	Annual bonus % change	Salary/fees % change	Benefits % change	Annual bonus % change
<b>Executive Directors</b>						
David Thomas	2.2	-10.3	100.0	0.3	16.0	-100.0
Steven Boyes	2.2	11.1	100.0	0.2	-12.2	-100.0
Jessica White	2.2	6.3	100.0	0.2	0	-100.0
<b>Non-Executive Directors</b>						
John Allan	2.5	0.0	N/A	0	-50.0	N/A
Richard Akers <sup>2</sup>	-13.8	0.0	N/A	-1.1	0	N/A
Nina Bibby	1.6	0.0	N/A	0	0	N/A
Katie Bickerstaffe <sup>3</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Jock Lennox	4.1	0.0	N/A	0	0	N/A
Sharon White	3.2	0.0	N/A	0	0	N/A
Chris Weston <sup>3</sup>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Average pay of all employees in Barratt Developments PLC</b>	<b>7.7</b>	<b>-3.5</b>	<b>100.0</b>	4.0	6.4	-100.0
<b>Average pay of all employees in the Group<sup>4</sup></b>	<b>0.4</b>	<b>2.1</b>	<b>100.0</b>	0.8	-1.5	-100.0

<sup>1</sup> The percentage changes in salary and fees of the Directors for FY21 takes into account a temporary 20% voluntary reduction in base salary in April and May 2020 covering the period our construction sites were temporarily closed as a consequence of COVID-19.

<sup>2</sup> Richard Akers stepped down from the Board on 4 May 2021.

<sup>3</sup> Katie Bickerstaffe and Chris Weston were appointed as Non-Executive Directors effective 1 March 2021, therefore no percentage change in remuneration is displayed.

<sup>4</sup> Average pay using all employees in the Group is also provided, as a more meaningful figure, as the parent company employs only a very few senior employees. The figure represents the mean employee pay.

### Chief Executive pay ratio

The table below compares the single total figure of remuneration for the Chief Executive with that of the Group employees who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of its UK employee population.

Table 21				
	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
<b>FY21</b>	Option B	115:1	94:1	60:1
<b>FY20</b>	Option B	40:1	32:1	21:1
<b>FY19</b>	Option B	123:1	88:1	59:1

The remuneration figures for the employee at each quartile were determined with reference to the financial year ending 30 June 2021.

Under Option B of The Companies (Miscellaneous Reporting) Regulations 2018, the latest available gender pay gap data (i.e. from April 2021) was used to identify the best equivalent for three Group UK employees whose hourly rates of pay are at the 25th, 50th and 75th percentiles for the Group. The Committee is comfortable that this approach provides

a fair representation of the Chief Executive to employee pay ratios and is appropriate in comparison with alternative methods, balancing the need for statistical accuracy with internal operational resource constraints.

A full-time equivalent total pay and benefits figure for FY21 was then calculated for each of those employees. This was also sense checked against a sample of employees with hourly pay rates either side of the identified individuals to ensure that the appropriate representative employee was

selected. The pay ratios outlined above were then calculated as the ratio of the Chief Executive's single figure to the total pay and benefits of each of these employees.

Each employee's pay and benefits were calculated using each element of employee remuneration on a full-time basis, consistent with the Chief Executive. No adjustments (other than the approximate up-rating of pay elements to achieve full-time equivalent rates) were made and no components of pay have been omitted.

The table below sets out the salary and total pay and benefits for the three identified quartile point employees:

Table 22			
	25th percentile (P25)	Median (P50)	75th percentile (P75)
<b>Salary</b>	£31,675	£25,000	£60,000
<b>Total pay and benefits</b>	£33,863	£41,210	£64,425

The FY21 pay ratios are significantly higher than last year due to an increase in the Chief Executive's single figure of remuneration compared to FY20. This increase is a result of the recommencement of the annual bonus scheme, following its cancellation in FY20 as a result of the impact of COVID-19; the voluntary reduction in Directors' salaries in FY20 of 20% during the period for which the construction sites were closed due to COVID-19; and a higher LTPP vesting outcome this year. The pay ratios for FY21 are therefore more directly comparable to those for FY19 than FY20. As a result of the impact of the COVID-19 pandemic on remuneration, our pay ratios have

fluctuated between each reported year to date, and no trend in the median pay ratio is observed at this time.

The median individual received a material commission based incentive payment in the year, resulting in a relatively large differential between base salary and total pay for this individual.

The Committee considers that the median pay ratio is consistent with the relative roles and responsibilities of the Chief Executive and the identified employee. Base salaries of all employees, including our Executive Directors, are set with reference to a range of factors including market practice, experience and performance in role.

The Chief Executive's remuneration package is weighted towards variable pay (including the annual bonus and LTPP) due to the nature of the role. This also means that the ratio is likely to fluctuate depending on the outcomes of incentive plans in each year (as illustrated by the ratios to date).

The Committee also recognises that, due to the nature of the Company's business and the ways in which we employ our staff, the flexibility permitted within the regulations for identifying and calculating the total pay and benefits for employees, as well as differences in employment and remuneration models between companies, the ratios reported above may not be comparable to those reported by other companies.

### Relative importance of spend on pay

The following table shows the Group's actual spend on pay (for all employees) relative to dividends and profit from operations:

	FY21 £m	FY20 £m	% change
Employee costs (including Executive Directors) <sup>1</sup>	445.1	374.7	19
Profit from operations <sup>2</sup>	811.1	493.4	64
Total capital return <sup>3</sup>	299.4	0	100.0

<sup>1</sup> During FY20 the Group utilised the CJRS. The Group recognised £26.0m of income under this scheme in the Income Statement in the FY20 financial year. In FY21, this amount was returned and accordingly this income is not reflected in the FY20 employee costs figure above. Further details are provided in note 2.3.3 to the Financial Statements.

<sup>2</sup> Profit from operations has been chosen as a metric to compare against as it shows how spend on pay is linked to the Group's operating performance. The figure used is from the Consolidated Income Statement on page 123.

<sup>3</sup> For FY21, this includes the interim dividend paid in May 2021, and the proposed final dividend for payment in November 2021, the value of which has been calculated based on the number of shares in issue as at 30 June 2021. In respect of FY20, no dividends were paid due to uncertainties arising from the COVID-19 pandemic. There have been no share buybacks during the year ended 30 June 2021.

### Non-executive directorships

Details of the Group's policy on non-executive directorships held by Executive Directors is given in the Directors' Remuneration Policy table on page 134 of the 2020 Annual Report and Accounts. Neither Steven Boyes nor Jessica White held any non-executive directorships with other companies during the year. David Thomas is a member of the board of the HBF as a non-executive director for which he does not receive a fee.

### Statement of shareholding vote at AGM

The latest resolution to approve the Directors' remuneration policy (binding vote to remain in place for three years following its approval by shareholders) and the resolution to approve last year's Annual report on remuneration (advisory vote) were proposed to shareholders at the 2020 AGM, and the following votes were received:

	Vote on Remuneration Policy – 2020 AGM		Vote on Remuneration report – 2020 AGM	
	Number of votes	% votes cast	Number of votes	% votes cast
Votes cast in favour	669,565,590	98.38	671,378,366	98.65
Votes cast against	10,994,399	1.62	9,153,481	1.35
Total votes cast	680,559,989	100.00	680,531,847	100.00
Votes withheld	121,686	–	149,828	–

This Remuneration report was approved by the Board on 1 September 2021 and signed on its behalf by:

**Katie Bickerstaffe**  
Non-Executive Director

1 September 2021

# Other statutory disclosures

## Directors’ Report

For the financial year ended 30 June 2021, the Strategic Report is set out on pages 2 to 67 and the Directors’ Report on pages 68 to 114. The table below sets out the location of information required to be disclosed in the Directors’ Report, which can be found in other sections of this Annual Report and Accounts and is incorporated by reference.

Information Required	Page numbers
Arrangements under which a shareholder has waived or agreed to waive a dividend and details of the waiver <sup>1</sup>	157
Likely future developments in the business of the Group	2 to 43
Financial instruments	152 to 156
Post-balance sheet important events	165
A description of the Company’s policies on employment of people with disabilities	32
A description of the Company’s employee engagement and involvement practices	31 to 32 46 and 47
Stakeholder engagement	45 to 55
Greenhouse gas emissions	21, 173 and 174
Research and development activities	29

<sup>1</sup> This item is a requirement of Listing Rule 9.8.4R. All other items are requirements of Schedule 7 of the Large and Medium Sized Companies and Groups Regulations.

## Dividends

An interim dividend of 7.5 pence per share was paid on 10 May 2021 to those shareholders on the register on 16 April 2021 (2020: no interim dividend). The Directors recommend payment of a final dividend of 21.9 pence per share (2020: no final dividend) in respect of FY21. The final dividend will be paid, subject to shareholder approval at the 2021 AGM, on 9 November 2021 to shareholders on the register on 1 October 2021. If approved, the total dividend for FY21 will be 29.4 pence per share (2020: no dividends).

## Annual General Meeting

The 2021 AGM will be held at Ironmongers’ Hall, Off Shaftesbury Place, Aldersgate Street, Barbican, London EC2Y 8AA on Wednesday 13 October 2021 at 12 noon. The notice convening the AGM is set out in a separate letter to shareholders.

## Significant Shareholdings

In accordance with the DTRs, all notifications received by the Company are published on the Company’s website, [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk), and via a Regulatory Information Service. As at 30 June 2021, the persons set out in the table below have notified the Company, pursuant to DTR 5.1, of their interests in the voting rights in the Company’s issued share capital:

Notifiable interests			
	Number of voting rights <sup>1</sup>	% of total issued share capital <sup>2</sup>	Nature of holding
FMR LLC	34,579,199	8.24	Indirect
BlackRock, Inc.	56,413,704	5.60	Indirect
The Capital Group Companies, Inc	53,001,760	5.20	Indirect
Royal Bank of Canada	30,554,688	3.00	Direct

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

<sup>2</sup> Based on the Total Voting Rights as at the relevant notification dates.

At 1 September 2021, no change in these holdings had been notified and no further notifications had been received. The Total Voting Rights of the Company, as announced on 31 August 2021, are 1,019,565,328.

## Appointment and removal of Directors

The appointment and removal of Directors is governed by the Articles, the Act and related legislation. There shall be (unless otherwise determined by an ordinary resolution) no fewer than two and no more than 15 Directors appointed to the Board at any one time. Directors may be appointed by the Company by ordinary resolution or by the Board. In accordance with the Code and the Articles, at each AGM, all of the Directors shall retire from office at the date of the Notice of AGM and may offer themselves for reappointment by members. Directors may be removed before the expiration of their term of office by means set out in the Act and the Articles, including by special resolution.

## Powers of the Directors including in relation to the allotment of shares

Subject to the Articles, the Act and any directions given by special resolution, the business of the Company is ultimately managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or otherwise. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertakings, property, assets and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company to any third party. At the AGM held on 14 October 2020, the Directors were given authority to allot shares up to a nominal value of £33,943,607 (representing one-third of the nominal value of the Company’s issued share capital as at 4 September 2020), such authority to remain valid until the end of the 2021 AGM or, if earlier, until the close of business on 14 January 2022. A resolution to renew this authority will be proposed at the 2021 AGM.

## Directors’ indemnities and insurance

Qualifying third-party indemnity provisions are in place for the Directors, former Directors and the Company Secretary, together with those who hold or have held these positions as officers of other Group companies or of associate or affiliated companies and members of the Executive Committee, to the extent permitted by law and the Articles, in respect of liabilities incurred in the course of performing their duties. In addition, the Company maintains directors’ and officers’ liability insurance for each Director of the Group and its associated companies.

## Political donations and expenditure

The Company made no political donations during the year in accordance with its policy. In keeping with the Company’s approach in prior years, shareholder approval is being sought at the 2021 AGM, as a precautionary measure, for donations and/or expenditure that may be construed as political by the wide definition of such terms provided under the Act.

## Branches

The Group has a representative office in Beijing, China. A full list of the Group’s offices and their locations can be obtained from the Company Secretary at the Company’s registered office, or from its website [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk).

## Capital structure

The Company has a single class of share capital, which is divided into ordinary shares of 10 pence each. All issued shares are in registered form and are fully paid. Details of the Company’s issued share capital and of the movements in the share capital during the year can be found note 5.5 on page 156.

## Shareholder voting rights and restrictions on transfer of shares

All the issued and outstanding ordinary shares of the Company have equal voting rights with one vote per share. There are no special control rights attaching to them, save that the Trustees of the EBT may vote or abstain from voting on shares held in the EBT in any way they think fit and in doing so may consider both financial and non-financial interests of the beneficiaries of the EBT or their dependants. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities. The rights, including full details relating to voting of shareholders and any restrictions on transfer relating to the Company’s ordinary shares, are set

out in the Articles and in the explanatory notes that accompany the Notice of the 2021 AGM. These documents are available on the Company’s website at [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk).

## Shareholder authority for purchase of own shares

At the Company’s AGM held on 14 October 2020, shareholders authorised the Company to buy back up to an aggregate of 101,830,821 ordinary shares (representing 10% of the Company’s issued share capital). This authority is valid until the end of the 2021 AGM (at which a renewal of that authority will be sought) or, if earlier, until the close of business on 14 January 2022. Under the authority, there is a minimum and maximum price to be paid for such shares. Any shares that are bought back may be held as treasury shares or, if not so held, will be cancelled immediately upon completion of the purchase, thereby reducing the Company’s issued share capital. No purchases had been made under this authority as at the date of this Annual Report and Accounts.

## Articles of Association

The Articles may only be amended by a special resolution of shareholders. The Articles were last amended at the Company’s AGM held on 14 October 2020.

## Approach to tax and tax governance

For all taxes, it is the Group’s aim to ensure it accurately calculates and pays the tax that is due at the correct time. Whilst the Group does seek to minimise its tax liabilities through legitimate routine tax planning, it does not participate in aggressive tax planning schemes. The Group also seeks to be transparent in its dealings with HMRC and has regular dialogue with its representatives to discuss both developments in the business and the ongoing tax position. In accordance with UK legislation, we have published details of our tax strategy, and this can be found at [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk).

The Chief Financial Officer retains overall responsibility for oversight of the tax affairs of the Group. Jessica White, Chief Financial Officer, was Senior Accounting Officer throughout the year ended 30 June 2021. From 1 July 2021 David Thomas, Chief Executive became Senior Accounting Officer at least until the new Chief Financial Officer joins the Board. The Senior Accounting Officer receives regular updates on tax matters. In addition, tax management and strategy are reviewed at least annually by the Audit Committee, with no changes proposed for the year ended 30 June 2021.

## Change of control

The following significant agreements as at 30 June 2021 contained provisions entitling the counterparties to exercise termination and/or other rights in the event of a change of control of the Company:

- an RCF agreement containing change of control provisions which provide that, on a change of control of the Company, the relevant counterparties may require the Company to immediately repay all amounts outstanding and would not be obliged to fund any further drawdown of the facility (other than rollover loans); and
- a note purchase agreement in respect of the Group’s £200m privately placed notes containing change of control provisions which provide that, on a change of control of the Company, the noteholders may require the Company to prepay at par all outstanding amounts under the notes.

In addition, the Company’s share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control subject to the satisfaction of any performance conditions at that time.

The Company is not aware of any other significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company.

The Company does not have any agreements with any Director or employee that would provide compensation for loss of office or employment resulting from change of control following a takeover bid.

On behalf of the Board

**Tina Bains**  
Company Secretary

1 September 2021



# Statement of Directors' responsibilities

## Financial Statements and accounting records

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with IAS in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the EU. The Financial Statements also comply with IFRS as issued by the IASB. The Directors have also elected to prepare the Parent Company Financial Statements in accordance with IAS in conformity with the requirements of the Companies Act 2006.

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.

IAS 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 IASB's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS.

Directors are also required to:

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

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

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

## Fair, balanced and understandable

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

## Disclosure of information to auditor

In accordance with section 418 of the Act, the Directors confirm that, so far as they are each aware, there is no relevant audit information that has not been brought to the attention of the Company's auditor. Each Director has taken all reasonable steps that they ought to have taken in accordance with their duty as a Director to make themselves aware of any relevant audit information and to ensure that the Company's auditor is aware of that information.

## Directors' responsibility statement

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

- a. the Group Financial Statements in the Annual Report and Accounts, which have been prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the EU, and those of the Parent Company, which have been prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and Group taken as a whole; and
- b. the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

The Directors of the Company and their functions are listed on pages 68 and 69. By order of the Board.

**David Thomas**  
Chief Executive

1 September 2021

The Directors' Report from pages 68 to 114 inclusive was approved by the Board on 1 September 2021 and is signed on its behalf by

**Tina Bains**  
Company Secretary

# Financial Statements

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## Key to financial icons

Throughout the Financial Statements you will see these icons used; they represent the following:

### Group accounting policies:



### Critical accounting judgements and key sources of estimation uncertainty:





# Independent Auditor’s Report

to the members of Barratt Developments PLC

## Report on the audit of the Financial Statements

### 1. Opinion

In our opinion:

- the Financial Statements of Barratt Developments PLC (the ‘Company’) and its subsidiaries (the ‘Group’) give a true and fair view of the state of the Group’s and of the Company’s affairs as at 30 June 2021 and of the Group’s profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS as issued by the International Accounting Standards Board (IASB);
- the Company Financial Statements have been properly prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Company Statements of Changes in Shareholders’ Equity;
- the Consolidated and Company Balance Sheets;
- the Consolidated and Company Cash Flow Statement; and
- the related notes 1 to 7.4.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IAS in conformity with the requirements of the Companies Act 2006 and IFRS as adopted by the European Union and as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Company Financial Statements is applicable law and IAS in conformity with the requirements of the Companies Act 2006.

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Company for the year are disclosed in note 2.3.5 to the Financial Statements. We confirm that the non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. Summary of our audit approach

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"><li>Margin recognition; and</li><li>Costs associated with legacy properties</li></ul> <p>Within this report, key audit matters are identified as follows:</p> <div><div>ⓘ</div>Newly identified</div> <div><div>⚡</div>Similar level of risk</div> <div><div>⬆️</div>Increased level of risk</div> <div><div>⬆️</div>Decreased level of risk</div>
<b>Materiality</b>	<p>The materiality that we used for the Group Financial Statements was £40m which was determined on the basis of considering a number of different metrics used by investors and other readers of the Financial Statements. These included:</p> <ul style="list-style-type: none"><li>Profit before tax;</li><li>Revenue; and</li><li>Net assets.</li></ul>
<b>Scoping</b>	<p>Our scoping focused on the audit work of the two components, being housebuilding and joint ventures (JVs). All audit work was completed directly by the Group audit engagement team.</p>
<b>Significant changes in our approach</b>	<p>There have not been any significant changes in our audit approach for the current year. The key audit matters identified in the prior year remain relevant for the current year.</p>

### 4. Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Our evaluation of the Directors’ assessment of the Group’s and Company’s ability to continue to adopt the going concern basis of accounting included:

- assessing financing facilities including nature of facilities, repayment terms and covenants;
- assessing management assumptions used in the going concern model;
- testing the clerical accuracy and appropriateness of the model used to prepare the forecasts;
- assessing management’s identified potential mitigating actions and the appropriateness of the inclusion of these in the going concern assessment;
- assessing the historical accuracy of forecasts prepared by management; and
- evaluating whether the Group’s disclosures in respect of going concern within the Financial Statements, meet the requirements of IAS 1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s and Company’s ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors’ statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 5.1. Margin recognition ⓘ

<b>Key audit matter description</b>	<p>The Group’s valuation and cost allocation framework determines the total profit forecast for each site. This allows the land and build costs of a development to be allocated to each individual unit, ensuring the forecast margin per unit is equalised across a development. This cost allocation framework drives the recognition of costs, and hence profit, as each unit is sold, which is the key judgement in the Income Statement and is where fraud could potentially occur. Accordingly, we consider the recognition of cost per unit and therefore the appropriate margin to be a key audit matter.</p> <p>For each development there is judgement in:</p> <ul style="list-style-type: none"><li>estimating the inputs included within a site budget, including future revenues and costs to complete, in order to determine the level of profit that each unit of the development will deliver;</li><li>determination of future house price inflation and build cost inflation;</li><li>appropriately allocating costs such as shared infrastructure relating to a development so that the gross profit margin (in percentage terms) achieved on each individual unit is equal;</li><li>recognising site contingencies and their impact on margin; and</li><li>recording the variation when a deviation from the initial budget occurs and ensuring such variations are appropriately recognised to those units impacted by the deviation.</li></ul> <p>These judgements impact the profit recognised on each unit sold and reported margin is a key metric for the Group.</p> <p>Refer to page 85 (Audit Committee Report) and note 2.3 (Financial Statement disclosures including the related critical accounting judgements and key sources of estimation uncertainty).</p>
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Independent Auditor’s Report

to the members of Barratt Developments PLC

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How the scope of our audit responded to the key audit matter	<p>Our work included the following:</p> <ul style="list-style-type: none"><li>tested the relevant controls covering site valuations and margin review;</li><li>virtually visited a sample of sites and verified work completed to date. On a sample basis, agreed the cost incurred to source documentation to verify work in progress;</li><li>on a sample of sites, made enquiries with management to support their cost to complete estimates and obtained external supporting evidence regarding costs to complete;</li><li>evaluated key estimates in the margin calculation, including future sales volume assumptions and house price and construction cost inflation;</li><li>analysed margins on a site-by-site basis to identify material movements in the site margins compared to prior year. We evaluated and assessed the material variances through enquiries with management and obtaining corroborative evidence; and</li><li>used bespoke analytics to analyse costs to complete. This enabled us to analyse cost category composition for each site and compare to budgeted positions and Group averages. We performed enquiries and obtained corroborative evidence for exceptions identified.</li></ul>
Key observations	Based on the procedures performed, we concluded that margin was recognised appropriately in the year.
5.2. Costs associated with legacy properties	
Key audit matter description	<p>The Group has recognised a number of provisions in relation to changing building regulations and remediation of structural defects identified at legacy properties. There is an ongoing challenge and public scrutiny in relation to cladding related issues, including in relation to the mortgage market for properties impacted by these issues.</p> <p>As a result of the evolving regulatory environment and government policy, including in relation to the £5 billion building safety fund announced in February 2021 and associated RICS guidance for External Wall System (“EWS”) 1 certification, we identified an increased level of risk in relation to legal obligations for the remediation of legacy multi-storey buildings the Group has developed. We identified a key audit matter in relation to costs associated with legacy properties as the amount provided by the Group could be incomplete or not valued accurately for the remediation required on the developments where the Group has a legal obligation to do so.</p> <p>The accounting for these provisions involves a number of assumptions when estimating the future costs. The key judgements related to this key audit matter are:</p> <ul style="list-style-type: none"><li>determining which buildings the Group has an obligation to remediate at the balance sheet date; and</li><li>the cost of the future works.</li></ul> <p>EWS and firestopping regulations continue to evolve and the Group’s internal investigations in relation to their legacy buildings and potential liabilities is ongoing. At 30 June 2021, the provisions estimated by management to remediate these buildings involves a high level of estimation uncertainty.</p> <p>At the end of the financial year the Group holds a provision of £67.6m (2020: £28.2m) in relation to legacy properties. During the year, the Group incurred a charge of £81.9m (2020: £39.9m) and utilisation of £46.3m (2020: £11.7m) in relation to remediation of legacy developments. The charge of £81.9m has been presented as an adjusted item.</p> <p>Further details are included in Note 3.6 to the Financial Statements and under the Audit Committee report on page 87.</p>
How the scope of our audit responded to the key audit matter	<p>Our work included the following:</p> <ul style="list-style-type: none"><li>obtained an understanding of controls relevant to the recognition and estimation of costs associated with legacy properties;</li><li>assessed how the value of the provision has been determined, whether a present obligation to rectify the properties existed at the balance sheet date and that the associated costs have been recorded in the appropriate accounting period;</li><li>validated a sample of cost estimates to underlying support such as third-party quotations and agreements in order to challenge management’s estimates; and</li><li>assessed the associated disclosures, including consideration of costs classified as adjusted items.</li></ul> <p>Specifically, in relation to the EWS, we performed the following:</p> <ul style="list-style-type: none"><li>performed an assessment of the Group’s legal liability in relation to the EWS 1 requirements through discussions with external and internal legal counsel and applying UK laws in relation to responsibilities of freeholders and statute of limitations for developers;</li><li>analysed buildings with potential legal liability by considering the Group’s portfolio of buildings against the legal requirements in relation to EWS 1;</li><li>assessed the estimated liability by understanding and challenging management’s estimates regarding the probability of liability and remediation as well as the cost of remediation per unit with reference to current EWS 1 compliance rules; and</li><li>assessed the disclosure included within the Financial Statements in relation to the critical accounting judgements, provisions and contingent liabilities.</li></ul>
Key observations	Based on the procedures performed we concluded the provision recorded to be appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Company Financial Statements
Materiality	£40m (2020: £35m)	£36m (2020: £31.5m)
Basis for determining materiality	<p>We considered the following metrics:</p> <ul style="list-style-type: none"><li>Profit before tax;</li><li>Revenue; and</li><li>Net assets.</li></ul> <p>Using professional judgement we determined materiality to be £40m.</p>	Our basis for materiality was determined based upon 3% (2020: 3%) of the Company’s net assets capped at 90% (2020: 90%) of Group materiality.
Rationale for the benchmark applied	<p>In determining our benchmark for materiality we considered a number of different metrics used by investors and other readers of the Financial Statements.</p> <p>This approach is consistent with the prior year.</p> <p>Materiality for the current year represents 4.9% of profit before tax (2020: 7.1%), 0.8% of revenue (2020: 1.0%) and 0.7% of net assets (2020: 0.7%).</p>	Net assets was used as the benchmark because it provides a stable basis and there are volatile earnings between periods.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole.

	Group Financial Statements	Company Financial Statements
Performance materiality	70% (2020: 70%) of Group materiality	70% (2020: 70%) of Company materiality
Basis and rationale for determining performance materiality	<p>In determining performance materiality, we considered the following factors:</p> <ul style="list-style-type: none"><li>our risk assessment, including our assessment of the Group’s overall control environment and that we consider it appropriate to rely on controls over a number of business processes; and</li><li>our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.</li></ul>	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.0m (2020: £1.8m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.



# Independent Auditor’s Report

to the members of Barratt Developments PLC

## 7. An overview of the scope of our audit

### 7.1. Scoping

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The entire Group is audited by one audit engagement team, led by the Senior Statutory Auditor. Controls are common across the Group and there are two identified components, housebuilding and joint ventures, which take into consideration all of the Group’s divisions, as well as the head office consolidation.

Each component was set a specific component performance materiality, considering its relevant size and any component-specific risk factors such as internal control findings and history of error. The component performance materialities applied were in the range £14m to £26.6m. Both components have been subject to a full scope audit.

### 7.2. Our consideration of the control environment

We obtained an understanding of the relevant internal controls over key audit matters, relating to margin recognition and legacy properties. We obtained an understanding of other relevant controls which we would expect in a housebuilder, namely those over land and work in progress and those over subcontractor and other expenses. In the current year, we have tested controls relating to margin recognition, subcontractors, expenditure, land and work in progress. Based on our work performed we adopted a controls reliance approach to our testing in these areas.

The Group IT landscape contains a number of IT systems, applications and tools used to support business processes and reporting. We performed testing of General IT Controls (“GITCs”) of three key financial reporting systems, which included controls surrounding user access management and change management.

As noted on page 85 in the Audit Committee Report, the Group has commenced a key controls programme to focus and further strengthen the Group’s capabilities around risk and internal controls in light of the increased public interest in internal control systems following the Kingman and Brydon reviews.

## 8. Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor’s report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. Responsibilities of Directors

As explained more fully in the Statement of Directors’ Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group’s and the Company’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## 10. Auditor’s responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC’s website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor’s Report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the housing market, control environment and business performance including the design of the Group’s remuneration policies, key drivers for Directors’ remuneration, bonus levels and performance targets;
- the Group’s own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the Group’s internal legal counsel and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group’s documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team involving relevant internal specialists, including tax, valuations and IT specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: margin recognition and costs associated with legacy properties. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, Building Safety Regulations, pensions and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Group’s ability to operate or to avoid a material penalty. These included the environmental regulations and health and safety law.

### 11.2. Audit response to risks identified

As a result of performing the above, we identified margin recognition and costs associated with legacy properties as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters. We did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the Audit Committee, in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

### 12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors’ Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors’ Report have been prepared in accordance with applicable legal requirements

In light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors’ Report.

# Independent Auditor’s Report

to the members of Barratt Developments PLC

## 13. Corporate Governance Statement

The Listing Rules require us to review the Directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group’s compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:

- the Directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 114;
- the Directors’ explanation as to its assessment of the group’s prospects, the period this assessment covers and why the period is appropriate set out on page 67;
- the Directors’ statement on fair, balanced and understandable set out on page 114;
- the Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 114;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 56; and
- the section describing the work of the Audit Committee set out on page 85 to 90.

## 14. Matters on which we are required to report by exception

### 14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

### 14.2. Directors’ remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors’ remuneration have not been made or the part of the Directors’ remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

## 15. Other matters which we are required to address

### 15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed at the AGM in 2007 to audit the Financial Statements for the year ending 30 June 2008 and subsequent financial periods. Following a competitive tender process, we were re-appointed as auditor for the year ending 30 June 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and re-appointments of the firm is fourteen years, covering the years ending 30 June 2008 to 30 June 2021.

### 15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

## 16. Use of our report

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

**Claire Faulkner** (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London  
United Kingdom  
1 September 2021

# Consolidated Income Statement

Year ended 30 June 2021

	Notes	2021 £m	2020 £m
<b>Continuing operations</b>			
<b>Revenue</b>	2.1	<b>4,811.7</b>	3,419.2
Cost of sales		<b>(3,801.7)</b>	(2,804.9)
<b>Gross profit</b>		<b>1,010.0</b>	614.3
Administrative expenses	2.3	<b>(204.4)</b>	(124.5)
Part-exchange income		<b>220.4</b>	327.5
Part-exchange expenses		<b>(214.9)</b>	(323.9)
<b>Profit from operations</b>	2.3	<b>811.1</b>	493.4
Finance income	5.2	<b>1.4</b>	5.1
Finance costs	5.2	<b>(28.0)</b>	(35.0)
Net finance costs	5.2	<b>(26.6)</b>	(29.9)
Share of post-tax profit from joint ventures	4.3	<b>27.7</b>	28.3
<b>Profit before tax</b>		<b>812.2</b>	491.8
Tax	2.6	<b>(152.1)</b>	(89.1)
<b>Profit for the year</b>		<b>660.1</b>	402.7
<b>Profit for the year attributable to the owners of the Company</b>		<b>659.8</b>	399.7
<b>Profit for the year attributable to non-controlling interests</b>	4.1.2	<b>0.3</b>	3.0
<b>Earnings per share from continuing operations</b>			
Basic	2.4	<b>64.9p</b>	39.4p
Diluted	2.4	<b>64.0p</b>	38.9p

The notes on pages 130 to 172 form an integral part of these Financial Statements.

## Adjusted items:

		Gross profit		Profit from operations		Share of post-tax profit from joint ventures		Profit before tax	
	Notes	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
<b>Profit per Income Statement above</b>		<b>1,010.0</b>	614.3	<b>811.1</b>	493.4	<b>27.7</b>	28.3	<b>812.2</b>	491.8
Cost associated with legacy properties	2.2	<b>81.9</b>	39.9	<b>81.9</b>	39.9	<b>(0.4)</b>	–	<b>81.5</b>	39.9
CJRS grant repaid/(income)	2.2	<b>22.8</b>	(22.8)	<b>26.0</b>	(26.0)	<b>–</b>	–	<b>26.0</b>	(26.0)
<b>Adjusted profit</b>		<b>1,114.7</b>	631.4	<b>919.0</b>	507.3	<b>27.3</b>	28.3	<b>919.7</b>	505.7



# Consolidated Statement of Comprehensive Income

Year ended 30 June 2021

	Notes	2021 £m	2020 £m
Profit for the year		660.1	402.7
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit pension scheme	6.2.2	(2.2)	(69.2)
Tax credit relating to items not reclassified		0.4	13.1
Total items that will not be reclassified to profit or loss		(1.8)	(56.1)
Total comprehensive income recognised for the year		658.3	346.6
Total comprehensive income recognised for the year attributable to the owners of the Company		658.0	343.6
Total comprehensive income recognised for the year attributable to non-controlling interests	4.1.2	0.3	3.0

The notes on pages 130 to 172 form an integral part of these Financial Statements.

# Statement of Changes in Shareholders' Equity – Group

	Share capital (note 5.5.1) £m	Share premium £m	Merger reserve (note 4.1.1) £m	Own shares (note 5.5.2) £m	Share-based payments (note 6.3) £m	Group retained earnings due to share-holders of the Company £m	Total Group retained earnings due to share-holders of the Company £m	Non-controlling interests (note 4.1.2) £m	Total equity £m
At 1 July 2019 <sup>1</sup>	101.7	239.3	1,109.0	(15.1)	20.9	3,406.3	3,412.1	6.9	4,869.0
Profit for the year	–	–	–	–	–	399.7	399.7	3.0	402.7
Actuarial loss on pension scheme	–	–	–	–	–	(69.2)	(69.2)	–	(69.2)
Tax on items above taken directly to equity	–	–	–	–	–	13.1	13.1	–	13.1
Total comprehensive income recognised for the year ended 30 June 2020	–	–	–	–	–	343.6	343.6	3.0	346.6
Dividend payments (note 2.5)	–	–	–	–	–	(373.2)	(373.2)	–	(373.2)
Distributions to non-controlling interests	–	–	–	–	–	–	–	(8.5)	(8.5)
Issue of shares	0.1	5.9	–	–	–	–	–	–	6.0
Share-based payments	–	–	–	–	6.8	–	6.8	–	6.8
Purchase of own shares	–	–	–	(5.9)	–	–	(5.9)	–	(5.9)
Transfers in respect of share options	–	–	–	0.9	(9.7)	8.1	(0.7)	–	(0.7)
Tax on share-based payments	–	–	–	–	(1.4)	1.6	0.2	–	0.2
At 30 June 2020	101.8	245.2	1,109.0	(20.1)	16.6	3,386.4	3,382.9	1.4	4,840.3
Profit for the year	–	–	–	–	–	659.8	659.8	0.3	660.1
Actuarial loss on pension scheme	–	–	–	–	–	(2.2)	(2.2)	–	(2.2)
Tax on items above taken directly to equity	–	–	–	–	–	0.4	0.4	–	0.4
Total comprehensive income recognised for the year ended 30 June 2021	–	–	–	–	–	658.0	658.0	0.3	658.3
Dividend payments (note 2.5)	–	–	–	–	–	(76.3)	(76.3)	–	(76.3)
Distributions to non-controlling interests	–	–	–	–	–	–	–	(0.6)	(0.6)
Issue of shares	–	0.1	–	–	–	–	–	–	0.1
Share-based payments	–	–	–	–	20.4	–	20.4	–	20.4
Transfers in respect of share options	–	–	–	15.4	(12.2)	3.8	7.0	–	7.0
Tax on share-based payments	–	–	–	–	2.8	0.1	2.9	–	2.9
At 30 June 2021	101.8	245.3	1,109.0	(4.7)	27.6	3,972.0	3,994.9	1.1	5,452.1

<sup>1</sup> In the prior year, the Group applied IFRS 16 using the modified retrospective approach and, therefore, comparatives were not restated. The adoption of IFRS 16 had no effect on the opening reserves at 1 July 2019.

The notes on pages 130 to 172 form an integral part of these Financial Statements.

# Statement of Changes in Shareholders' Equity – Company

	Share capital (note 5.5.1) £m	Share premium £m	Merger reserve (note 4.1.1) £m	Own shares (note 5.5.2) £m	Share-based payments (note 6.3) £m	Retained earnings £m	Total retained earnings £m	Total equity £m
<b>At 1 July 2019<sup>1</sup></b>	101.7	239.3	1,109.0	(15.1)	20.4	2,052.8	2,058.1	3,508.1
Profit for the year	–	–	–	–	–	504.4	504.4	504.4
Actuarial loss on pension scheme	–	–	–	–	–	(69.2)	(69.2)	(69.2)
Tax on items above taken directly to equity	–	–	–	–	–	13.1	13.1	13.1
<b>Total comprehensive income recognised for the year ended 30 June 2020</b>	–	–	–	–	–	448.3	448.3	448.3
Dividend payments (note 2.5)	–	–	–	–	–	(373.2)	(373.2)	(373.2)
Issue of shares	0.1	5.9	–	–	–	–	–	6.0
Share-based payments	–	–	–	–	6.8	–	6.8	6.8
Purchase of own shares	–	–	–	(5.9)	–	–	(5.9)	(5.9)
Transfers in respect of share options	–	–	–	0.9	(9.7)	3.6	(5.2)	(5.2)
Tax on share-based payments	–	–	–	–	(0.9)	1.0	0.1	0.1
<b>At 30 June 2020</b>	101.8	245.2	1,109.0	(20.1)	16.6	2,132.5	2,129.0	3,585.0
Loss for the year	–	–	–	–	–	(8.8)	(8.8)	(8.8)
Actuarial loss on pension scheme	–	–	–	–	–	(2.2)	(2.2)	(2.2)
Tax on items above taken directly to equity	–	–	–	–	–	0.4	0.4	0.4
<b>Total comprehensive expense recognised for the year ended 30 June 2021</b>	–	–	–	–	–	(10.6)	(10.6)	(10.6)
Dividend payments (note 2.5)	–	–	–	–	–	(76.3)	(76.3)	(76.3)
Issue of shares	–	0.1	–	–	–	–	–	0.1
Share-based payments	–	–	–	–	20.4	–	20.4	20.4
Transfers in respect of share options	–	–	–	15.4	(12.2)	0.8	4.0	4.0
Tax on share-based payments	–	–	–	–	1.1	–	1.1	1.1
<b>At 30 June 2021</b>	<b>101.8</b>	<b>245.3</b>	<b>1,109.0</b>	<b>(4.7)</b>	<b>25.9</b>	<b>2,046.4</b>	<b>2,067.6</b>	<b>3,523.7</b>

<sup>1</sup> In the prior year, the Company applied IFRS 16 using the modified retrospective approach and, therefore, comparatives were not restated. The adoption of IFRS 16 had no effect on the opening reserves at 1 July 2019.

The notes on pages 130 to 172 form an integral part of these Financial Statements.

# Balance Sheets

At 30 June 2021

		Group		Company	
	Notes	2021 £m	2020 £m	2021 £m	2020 £m
<b>Assets</b>					
<b>Non-current assets</b>					
Other intangible assets	4.2.2	100.0	101.1	–	–
Goodwill	4.2.1	805.9	805.9	–	–
Property, plant and equipment	4.5	20.4	19.0	12.5	9.5
Right-of-use assets	3.5.1	39.3	46.7	4.5	4.8
Investments in subsidiary undertakings	4.1.3	–	–	3,088.0	3,086.2
Investments in joint ventures and associates	4.3	163.1	152.1	–	–
Retirement benefit assets <sup>1</sup>	6.2.2	–	3.5	–	3.5
Deferred tax assets	2.6.3	–	–	4.7	1.0
Trade and other receivables <sup>2</sup>	3.2	1.2	2.3	75.8	–
		1,129.9	1,130.6	3,185.5	3,105.0
<b>Current assets</b>					
Inventories	3.1	4,645.5	5,027.9	–	–
Trade and other receivables <sup>2</sup>	3.2	179.6	86.0	19.2	405.4
Current tax assets		–	–	2.0	–
Cash and cash equivalents	5.1	1,518.6	619.8	1,319.0	424.0
		6,343.7	5,733.7	1,340.2	829.4
<b>Total assets</b>		<b>7,473.6</b>	<b>6,864.3</b>	<b>4,525.7</b>	<b>3,934.4</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Loans and borrowings	5.1	(200.0)	(200.0)	(200.0)	(200.0)
Trade and other payables	3.3	(296.8)	(319.7)	–	–
Lease liabilities	3.5.1	(29.8)	(36.1)	(3.6)	(3.9)
Deferred tax liabilities	2.6.3	(8.9)	(2.4)	–	–
		(535.5)	(558.2)	(203.6)	(203.9)
<b>Current liabilities</b>					
Loans and borrowings	5.1	(5.3)	(117.7)	–	(111.0)
Trade and other payables	3.3	(1,401.2)	(1,305.4)	(797.5)	(33.6)
Lease liabilities	3.5.1	(10.9)	(11.7)	(0.9)	(0.9)
Current tax liabilities		(1.0)	(2.8)	–	–
Provisions	3.6	(67.6)	(28.2)	–	–
		(1,486.0)	(1,465.8)	(798.4)	(145.5)
<b>Total liabilities</b>		<b>(2,021.5)</b>	<b>(2,024.0)</b>	<b>(1,002.0)</b>	<b>(349.4)</b>
<b>Net assets</b>		<b>5,452.1</b>	<b>4,840.3</b>	<b>3,523.7</b>	<b>3,585.0</b>
<b>Equity</b>					
Share capital	5.5.1	101.8	101.8	101.8	101.8
Share premium		245.3	245.2	245.3	245.2
Merger reserve	4.1.1	1,109.0	1,109.0	1,109.0	1,109.0
Total retained earnings		3,994.9	3,382.9	2,067.6	2,129.0
<b>Equity attributable to the owners of the Company</b>		<b>5,451.0</b>	<b>4,838.9</b>	<b>3,523.7</b>	<b>3,585.0</b>
<b>Non-controlling interests</b>	4.1.2	1.1	1.4	–	–
<b>Total equity</b>		<b>5,452.1</b>	<b>4,840.3</b>	<b>3,523.7</b>	<b>3,585.0</b>

<sup>1</sup> Following the buy-out of the Group defined benefit pension scheme, the remaining assets and liabilities at 30 June 2021 have been included within trade and other payables and trade and other receivables. See note 6.2 for further details.  
<sup>2</sup> Secured loans, previously presented separately, have been included within trade and other receivables.

The notes on pages 130 to 172 form an integral part of these Financial Statements.

The Financial Statements of Barratt Developments PLC (registered number 00604574) were approved by the Board and authorised for issue on 1 September 2021.

Signed on behalf of the Board:

**David Thomas**  
Chief Executive

## Parent Company Income Statement

In accordance with the provisions of section 408 of the Companies Act 2006, a separate Income Statement for the Company has not been presented. The Company's loss for the year was £8.8m (2020: £504.4m profit).



# Cash Flow Statements

Year ended 30 June 2021

	Notes	Group		Company	
		2021 £m	2020 £m	2021 £m	2020 £m
Net cash inflow/(outflow) from operating activities (page 129)		1,082.3	(121.0)	1,071.4	(667.0)
Investing activities:					
Purchase of property, plant and equipment	4.5	(7.2)	(7.5)	(6.1)	(4.9)
Increase in amounts invested in entities accounted for using the equity method	4.3	(7.9)	(31.2)	–	–
Repayment of amounts invested in entities accounted for using the equity method	4.3	3.4	72.2	–	–
Dividends received from investments accounted for using the equity method	4.3	21.2	24.2	–	–
Proceeds from the disposal of investments accounted for using the equity method		2.0	–	–	–
Dividends received from subsidiaries		–	–	8.7	519.3
Interest received		2.0	3.5	1.2	3.0
Net cash inflow from investing activities		13.5	61.2	3.8	517.4
Financing activities:					
Dividends paid to equity holders of the Company	2.5	(76.3)	(373.2)	(76.3)	(373.2)
Distribution made to non-controlling partner	4.1.2	(0.6)	(8.5)	–	–
Purchase of own shares		–	(5.9)	–	(5.9)
Proceeds from the exercise of share options		8.0	–	8.0	–
Proceeds from issue of share capital		0.1	6.0	0.1	6.0
Payment of dividend equivalents		(1.0)	(0.7)	–	–
Loans and borrowings drawdowns		–	–	–	58.4
Loans and borrowings repayments		(112.4)	(60.0)	(111.0)	–
Repayment of lease liabilities	3.5	(14.8)	(14.1)	(1.0)	(1.0)
Net cash outflow from financing activities		(197.0)	(456.4)	(180.2)	(315.7)
Net increase/(decrease) in cash and cash equivalents		898.8	(516.2)	895.0	(465.3)
Cash and cash equivalents at the beginning of the year		619.8	1,136.0	424.0	889.3
Cash and cash equivalents at the end of the year	5.1	1,518.6	619.8	1,319.0	424.0

The notes on pages 130 to 172 form an integral part of these Financial Statements.

Reconciliation of profit/(loss) from operations to cash flow from operating activities	Notes	Group		Company	
		2021 £m	2020 £m	2021 £m	2020 £m
Profit/(loss) from operations		811.1	493.4	3.7	(5.7)
Depreciation of property, plant and equipment	4.5	5.8	5.5	3.1	2.7
Loss on disposal of property, plant and equipment		–	0.4	–	0.4
Depreciation of right-of-use assets	3.5	13.8	13.6	1.0	0.9
Amortisation of intangible assets	4.2.2	1.1	1.2	–	–
Profit on disposal of joint venture	4.3.1	(2.0)	–	–	–
(Reversal of impairment)/impairment of inventories	3.1	(3.5)	8.2	–	–
Share-based payments charge	6.3	20.4	6.8	9.6	1.4
Imputed interest on deferred term payables <sup>1</sup>	5.2	(13.7)	(19.9)	–	–
Imputed interest on lease arrangements	5.2	(1.3)	(2.0)	–	(0.1)
Amortisation of facility fees	5.2	(2.0)	(2.3)	(2.0)	(2.3)
Finance income related to employee benefits	5.2	0.1	1.6	0.1	1.6
Total non-cash items <sup>2</sup>		18.7	13.1	11.8	4.6
Decrease/(increase) in inventories		385.9	(211.8)	–	–
(Increase)/decrease in receivables <sup>2</sup>		(93.1)	128.9	304.1	(322.1)
Increase/(decrease) in payables		74.8	(373.8)	776.8	(328.8)
Increase in provisions	3.6	39.4	28.2	–	–
Total movements in working capital and provisions <sup>2</sup>		407.0	(428.5)	1,080.9	(650.9)
Interest paid		(11.0)	(11.7)	(25.0)	(15.0)
Tax paid		(143.5)	(187.3)	–	–
Net cash inflow/(outflow) from operating activities		1,082.3	(121.0)	1,071.4	(667.0)

<sup>1</sup> The Balance Sheet movements in land payables include non-cash movements due to imputed interest. Imputed interest is therefore included within non-cash items in the statements above.

<sup>2</sup> Profit on the redemption of secured loans, previously presented separately, has been included within movements in receivables.

The notes on pages 130 to 172 form an integral part of these Financial Statements.

# Notes to the Financial Statements

Year ended 30 June 2021


## 1 Basis of preparation

### 1.1 Introduction

The Financial Statements for the Group and Company have been prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006. The Group Financial Statements have also been prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRS as issued by the IASB. The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of share-based payments.



**Group accounting policies**  
The significant Group accounting policies are included within the relevant notes to the Financial Statements on pages 130 to 172.



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

- Margin recognition – see note 2.3; and
- Costs associated with legacy properties – see note 3.6.

### 1.2 Basis of consolidation

The Group Financial Statements include the results of Barratt Developments PLC (the 'Company'), a public company limited by shares and incorporated in the United Kingdom, and all of its subsidiary undertakings, made up to 30 June. The Financial Statements of subsidiary undertakings are consolidated from the date that control passes to the Group using the acquisition method of accounting and up to the date control ceases. All transactions with subsidiaries and intercompany profits or losses are eliminated on consolidation.

### 1.3 Going concern

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

The Group's business activities, together with factors which the Directors consider are likely to affect its development, financial performance and financial position are set out in the Strategic Report on pages 2 to 67. The material financial and operational risks and uncertainties that may have an impact on the Group's performance and their mitigation are outlined on pages 58 to 64 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 5.4 to the Financial Statements.

At 30 June 2021, the Group held cash of £1,518.6m and total loans and borrowings of £205.3m, consisting of £5.3m of overdrafts repayable on demand and £200.0m Sterling USPP notes maturing in August 2027. These balances, set against pre-paid facility fees, comprise the Group's net cash of £1,317.4m presented in note 5.1.

Should further funding be required, the Group has a committed £700m RCF, subject to compliance with certain financial covenants, that matures in November 2024.

As such, in consideration of its net current assets of £4,857.7m, the Directors are satisfied that the Group has sufficient liquidity to meet its current liabilities and working capital requirements.

Despite the ongoing economic uncertainties, the housing market fundamentals remain attractive. There is strong demand for new homes across the country and years of undersupply underpins the Government's ongoing target of 300,000 new homes each year. The future financial performance of the Group is dependent upon the wider economic environment in which it operates. The factors that particularly affect the performance of the Group include flat or negative economic growth, buyer confidence, mortgage availability and affordability, competitor pricing, new housing supply, falls in house prices or land values and the cost and availability of raw materials, sub-contractors and suppliers.

The Group's financial forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of signing of these Financial Statements.

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

This exercise included a reasonable worst-case scenario in which the Group's principal risks manifest in aggregate to a severe but plausible level. This assumed that average selling prices fall by 5%, sales volumes fall by between 7% and 9%, and construction costs increase by 5%.

### 1.3 Going concern CONTINUED

The effects were modelled over the three-year period covered by the Directors' viability review, alongside reasonable mitigation that the Group would expect to undertake in such circumstances, primarily a reduction in investment in inventories in line with the fall in expected sales. In all scenarios, including the reasonable worst case, the Group is able to comply with its financial covenants, operate within its current facilities and meet its liabilities as they fall due.

Furthermore, a reverse stress test was performed to determine the market conditions in which the Group, without mitigating action, would cease to be able to operate under its current facilities. Based on past experience and current economic forecasts, the Directors consider the possibility of this outcome to be remote and have identified mitigation that would be adopted in such circumstances.

Accordingly, the Directors consider there to be no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. They have formed a judgement that there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing of these Financial Statements. For this reason, they continue to adopt the going concern basis in the preparation of these Financial Statements.

### 1.4 Application of accounting standards

During the year ended 30 June 2021, the Group has applied accounting policies and methods of computation consistent with those applied in the prior year except as amended by the adoption of new and revised standards.

Secured loans with a value of £nil (2020: £2.1m), presented separately in previous years, have been included within trade and other receivables. Disclosures pertaining to secured loans are not presented in the notes to the Financial Statements as they are immaterial to the Group.

During the year, the Group has adopted the following new and revised standards and interpretations that have had no impact on the Financial Statements:

- Amendment to References to the Conceptual Framework in IFRS Standards;
- Amendment to IFRS 3: 'Business Combinations';
- Amendments to IAS 1 and IAS 8: 'Definition of Material';
- Amendments to IFRS 9, IAS 39, and IFRS 7: 'Interest Rate Benchmark Reform'; and
- Amendment to IFRS 16: 'COVID-19 Related Rent Concessions'.


### 1.5 Impact of standards and interpretations in issue but not yet effective

At the date of approval of these Financial Statements, there were a number of standards, amendments and interpretations that have been published and are, therefore, mandatory for the Group's accounting periods beginning on or after 1 July 2021 and later periods. None of these are expected to have a material impact on the Group. The Group has not early adopted any standard, amendment or interpretation.


## 2 Results for the year and utilisation of profits

### 2.1 Revenue

The Group's revenue derives principally from the sale of the homes we build and from the sale of commercial property.




**Revenue from the sale of residential and commercial properties**  
Revenue is recognised at legal completion in respect of the total proceeds of building and development. Revenue is measured at the fair value of consideration received or receivable and represents the amounts receivable for the property, net of discounts and VAT.



**Revenue on contracts recognised over time**  
The Group considers all contracts with commercial customers and registered providers for affordable housing on a contract by contract basis and determines the appropriate revenue recognition based on the particular terms of that contract. For the majority of such contracts, there is a single performance obligation for which revenue is recognised at a point in time, when construction has been completed and control is transferred to the customer. The Group recognises revenue over time in relation to certain contracts with registered providers only in circumstances in which control of the associated land is transferred to the customer before or during construction. Revenue is only recognised from the point at which control of the associated land is transferred. Revenue is recognised because the construction activity enhances an asset that is controlled by the customer.  
  
Where the outcome of a contract on which revenue is recognised over time can be estimated reliably, revenue is recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. The Group is satisfied that it is appropriate to measure performance by reference to surveys of work performed to date, because these surveys identify the extent to which benefits have been transferred to the customer. Variations to, and claims arising in respect of such contracts are included in revenue to the extent that they have been agreed with the customer. Where the outcome of a contract on which revenue is recognised over time cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred. When it is probable that the total costs on a contract will exceed total contract revenue, the expected loss is immediately recognised as an expense in the Income Statement.



2.1 Revenue CONTINUED

 **Other revenue**

Revenue from separate contracts related to the development of homes is recognised on completion of the performance obligation to which it relates and included in other revenue. Revenue from warranties is recognised on a straight-line basis over the warranty period. Revenue from commercial contract management fees is recognised in the period in which it becomes receivable and included within other revenue.


An analysis of the Group's continuing revenue is as follows:

	Residential completions <sup>1</sup>		Revenue	
	2021 number	2020 number	2021 £m	2020 £m
Revenue from private residential sales	13,134	9,568	4,274.6	2,971.5
Revenue from affordable residential sales	3,383	2,466	495.5	402.0
Other revenue including commercial sales	–	–	41.6	45.7
	16,517	12,034	4,811.7	3,419.2

<sup>1</sup> Residential completions exclude JV completions of 726 homes (2020: 570) in which the Group has an interest. Included within Group revenue is £69.1m (2020: £140.9m) of revenue from construction contracts on which revenue is recognised over time by reference to the stage of completion of the contracts (note 3.4). Of this amount, £10.1m (2020: £19.2m) was included in the contract liability balance at the beginning of the year.

Revenue includes £324.8m (2020: £464.5m) of revenue generated where the sale has been achieved using part-exchange incentives. Proceeds received on the disposal of part-exchange properties are not included in revenue on the basis that they are incidental to the main revenue-generating activities of the Group.

2.2 Adjusted items

 **Adjusted items**

Items that are material to the Group in aggregate and have arisen from one-off or unusual circumstances that could not reasonably have been expected to arise from normal trading are presented as adjusted items in the table below the Income Statement. The Directors are of the opinion that the separate presentation of adjusted items provides helpful information about the Group's underlying business performance. Examples of events that may give rise to the classification of items as adjusted are charges or credits in respect of legacy properties, the restructuring of existing and newly acquired businesses, and certain government grants.


**Cost associated with legacy properties:**  
During the year, charges of £81.9m (2020: £39.9m) were recognised as adjusted items in respect of costs associated with legacy properties and separately disclosed in the table below the Income Statement. The adjusted costs in the year, associated with legacy properties, comprise additions to provisions of £90.3m, provisions releases of £4.6m and the release of accruals previously analysed as adjusted of £3.8m. Further details of provisions movements are provided in note 3.6.

In addition, a net credit of £0.4m (2020: £nil) was recognised as an adjusted item in respect of a reassessment of costs associated with JV legacy properties, resulting in a net increase in the Group's share of net assets.

**CJRS grant income/repayment:**  
During the year ended 30 June 2020, the Group recognised grant income of £26.0m in respect of the UK Government's CJRS. No CJRS grant income was recognised in the year to 30 June 2021. This was a temporary scheme from which the income was voluntarily refunded by the Group during the current year (see note 2.3.3 for further details). Both the income in the prior year and the repayment of the grant in the current year have been presented as adjusted items.

2.3 Profit from operations


Profit from operations includes all of the revenue and costs derived from the Group's operating businesses. Profit from operations excludes finance costs, finance income, the Group's share of profits or losses from JVs and associates and tax.

 **Margin recognition**


In order to determine the profit that the Group is able to recognise on its developments in a specific period, the Group allocates site-wide development costs between homes built in the current year and in future years. It also has to estimate costs to complete on such developments and make estimates relating to future sales price margins on those developments and homes. In making these assessments there is a degree of inherent uncertainty.

The Group's site valuation process determines the forecast profit margin for each site. The valuation process acts as a method of allocating land costs and construction work in progress costs of a development to each individual plot and drives the recognition of costs in the Income Statement as each plot is sold. Any changes in the forecast profit margin of a site from changes in sales prices or costs to complete are recognised across all homes sold in both the current period and future periods. This ensures that the forecast site margin achieved on each individual home is equal for all current year completions and future plots across the development.


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 3% increase in estimated costs recognised in the year, which is considered to be reasonably possible, would impact cost of sales and work in progress and would reduce the Group's gross profit by £91.6m, a reduction in gross margin of 190 bps.

 **Depreciation of right-of-use assets**

Right-of-use assets are depreciated in the Income Statement in equal instalments to the earlier of the end of the lease term or the end of the useful life of the asset.


 **Lease income**

The Group enters into leasing arrangements with third parties following the completion of constructed developments until the date of the sale of the development. Rental income from these operating leases is recognised in the Income Statement on a straight-line basis over the term of the lease.

 **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the Income Statement so as to match with the related costs they are intended to compensate for. Grants related to assets are deducted from the carrying amount of the asset. Grants related to income are included in the appropriate line within the Income Statement.

 **Part-exchange income and expenses**

Income on the sale of a part-exchange property is recognised at legal completion at the fair value of consideration received or receivable for the property.

Part-exchange properties are recognised in inventories at the lower of cost, being their fair value at acquisition, and their net realisable value. The amount of any write-down of inventories to net realisable value, or reversal of a previous write-down, is recognised in the Income Statement in the period in which it occurs.

The carrying amount of a part exchange property is recognised as an expense in the period in which the related income is recognised. Maintenance costs are recognised in the Income Statement in the period in which they are incurred.

# Notes to the Financial Statements CONTINUED

Year ended 30 June 2021

2.3 Profit from operations CONTINUED

2.3.1 Profit from operations is stated after charging/(crediting):

	Notes	2021 £m	2020 £m
Cost of inventories recognised as an expense in cost of sales		<b>3,537.9</b>	2,511.9
Employee costs (including Directors) <sup>1</sup>	6.1	<b>445.1</b>	374.7
Adjusted items:			
Government grants repaid/(receivable)	2.3.3	<b>26.0</b>	(26.0)
Costs associated with legacy properties	2.2	<b>81.9</b>	39.9
Depreciation of property, plant and equipment	4.5	<b>5.8</b>	5.5
Depreciation of right-of-use assets	3.5.1	<b>13.8</b>	13.6
Lease income	3.5.2	<b>(1.2)</b>	(1.2)

<sup>1</sup> The employee costs reported above are before adjustment for government grants repaid in respect of these costs of £26.0m (2020: £26.0m receivable). Further details are provided in notes 2.3.3 and 6.1.

Profit from operations is stated after charging the Directors’ emoluments disclosed in the Remuneration Report on pages 103 and 109 and in note 6.1.

The Group does not recognise income from supplier rebates until it can be calculated reliably and it is certain that it will be received from suppliers. During the year, £22.2m (2020: £30.8m) of supplier rebate income was included within profit from operations.

2.3.2 Cost of sales

During the year ended 30 June 2020, in response to the COVID-19 pandemic, the Group took the decision to temporarily close its sales centres, construction sites and offices and implemented extensive working practices and protocols to enable a safe return to operations. As a result, in the prior year £45.2m of non-productive site overheads and safety costs were included within cost of sales that would ordinarily be capitalised as work in progress including £25.4m of employee costs.

In the current year, cost of sales includes the repayment of £22.8m of government grants in respect of the CJRS (2020: £22.8m received).

2.3.3 Government grants and assistance

During the year, the Group repaid CJRS grant income received from the Government in the prior year. Amounts repaid/receivable are disclosed below.

	2021 Amounts repaid £m	2020 Amounts receivable and received £m
Grant income/(repayment) in respect of the CJRS included in cost of sales	<b>(22.8)</b>	22.8
Grant income/(repayment) in respect of the CJRS included in administrative expenses	<b>(3.2)</b>	3.2
	<b>(26.0)</b>	26.0

At 30 June 2021, receivables in respect of the CJRS of £nil (2020: £4.4m) were included in other receivables.

During the prior year, the Group benefited from the COVID-19 Retail, Hospitality and Leisure Fund in respect of some of its sales and marketing properties. In the year to 30 June 2021, the Group repaid these amounts in full, amounting to £0.7m (2020: £nil), to the relevant authorities. Also during the prior year, the Group benefited from government assistance in the form of COVID-19 business rate relief. In the year to 30 June 2021, the Group announced its intention to pay amounts equal to the relief received to the relevant local authorities.

2.3.4 Administrative expenses

Administrative expenses of £204.4m (2020: £124.5m) include sundry income of £24.5m (2020: £29.0m) which principally comprises management fees receivable from JVs, profit on the sale of a joint venture (note 4.3.1), the sale of freehold reversions, ground rent receivable and, in the prior year, government grant income.

2.3.5 Auditor’s remuneration

The remuneration paid to Deloitte LLP, the Group’s principal auditor, is disclosed below:

	2021 £000	2020 £000
Fees payable to the Company’s auditor for the audit of the Company and Consolidated Financial Statements	<b>411</b>	275
Fees payable to the Company’s auditor for the audit of the Company’s subsidiaries	<b>305</b>	290
<b>Total audit fees</b>	<b>716</b>	565
Audit-related assurance services <sup>1</sup>	<b>35</b>	32
Other services <sup>2</sup>	<b>–</b>	20
<b>Total fees for other services</b>	<b>35</b>	52
<b>Total fees related to the Company and its subsidiaries</b>	<b>751</b>	617

<sup>1</sup> Audit-related assurance services comprise the review of the interim report.

<sup>2</sup> Other services in the previous year were in relation to a short-term, limited scope, piece of advisory support.

2.3 Profit from operations CONTINUED

2.3.5 Auditor’s remuneration continued

Details of the Group’s policy on the use of the Company’s principal auditor for non-audit services and auditor independence are set out in the Audit Committee Report on page 89. No services were provided under contingent fee arrangements.

In addition to the remuneration paid to the Company’s auditor for services related to the Company and its subsidiaries, the auditor received the following remuneration from JVs in which the Group participates:

	2021 £000	2020 £000
The audit of the Group’s JVs pursuant to legislation	<b>162</b>	163
Audit-related assurance services <sup>1</sup>	<b>10</b>	10
<b>Total fees related to joint ventures</b>	<b>172</b>	173

<sup>1</sup> Audit-related assurance services comprise reporting to the auditors of our JV partners.

2.4 Earnings per share

The earnings per share from continuing operations were as follows:

	2021 pence	2020 pence
Basic earnings per share	<b>64.9</b>	39.4
Diluted earnings per share	<b>64.0</b>	38.9
Adjusted basic earnings per share	<b>73.5</b>	40.5
Adjusted diluted earnings per share	<b>72.5</b>	40.0

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

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the 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.

Adjusted basic and adjusted diluted earnings per share exclude the impact of adjusted items and any associated net tax amounts.

	2021	2020
Profit attributable to ordinary shareholders of the Company (£m)	<b>659.8</b>	399.7
Adjusted items (£m)	<b>107.5</b>	13.9
Tax on adjusted items (£m)	<b>(20.4)</b>	(2.6)
Adjusted profit attributable to ordinary shareholders of the Company (£m)	<b>746.9</b>	411.0

Weighted average number of shares in issue (million)	<b>1,018.3</b>	1,018.2
Weighted average number of shares in EBT (million)	<b>(1.9)</b>	(4.3)
Weighted average number of shares for basic earnings per share (million)	<b>1,016.4</b>	1,013.9

Weighted average number of shares in issue (million)	<b>1,018.3</b>	1,018.2
Adjustment to assume conversion of all potentially dilutive shares (million)	<b>12.5</b>	10.0
Weighted average number of shares for diluted earnings per share (million)	<b>1,030.8</b>	1,028.2

2.5 Dividends

	2021 £m	2020 £m
<b>Amounts recognised as distributions to equity shareholders in the year:</b>		
Final dividend for the year ended 30 June 2020 of 0.0p (2019: 19.5p) per share	<b>–</b>	197.8
Special dividend for the year ended 30 June 2020 of 0.0p (2019: 17.3p) per share	<b>–</b>	175.4
Interim dividend for the year ended 30 June 2021 of 7.5p (2020: 0.0p) per share	<b>76.3</b>	–
<b>Total dividends distributed to equity shareholders in the year</b>	<b>76.3</b>	373.2

	2021 £m	2020 £m
Proposed final dividend for the year ended 30 June 2021 of 21.9p (2020: 0.0p) per share	<b>222.7</b>	–

The final dividend of 21.9 pence per share was approved by the Board on 1 September 2021 and has not been included as a liability as at 30 June 2021.





# Notes to the Financial StatementsCONTINUED

Year ended 30 June 2021

2.6 Tax

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

The current year tax charge has been provided for, by the Group and Company, at a standard effective rate of 19.0% (2020: 19.0%) and the closing deferred tax assets and liabilities have been provided in these Financial Statements at a rate of 19.0% – 25.0% (2020: 19.0%) of the temporary differences giving rise to these assets and liabilities.

 <b>Tax</b>
The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.
 <b>Deferred tax</b>
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantively enacted by the balance sheet date, and is charged or credited to the Income Statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.
Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in JVs, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.
The carrying amount of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.6.1 Tax recognised in the Income Statement

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

	Notes	2021 £m	2020 £m
<b>Analysis of the tax charge for the year</b>			
<b>Current tax:</b>			
UK corporation tax for the year		155.1	100.0
Adjustment in respect of previous years		(12.7)	(7.4)
		142.4	92.6
<b>Deferred tax:</b>			
Origination and reversal of temporary differences		(3.5)	(3.1)
Adjustment in respect of previous years		7.8	(1.5)
Impact of change in corporation tax rate		5.4	1.1
	2.6.3	9.7	(3.5)
<b>Tax charge for the year</b>		152.1	89.1

2.6 TaxCONTINUED

2.6.1 Tax recognised in the Income Statement continued

Factors affecting the tax charge for the year

The tax rate assessed for the year is lower (2020: lower) than the standard effective rate of corporation tax in the UK of 19.0% (2020: 19.0%). The differences are explained below:

	2021 £m	2020 £m
<b>Profit before tax</b>	<b>812.2</b>	491.8
Profit before tax multiplied by the standard rate of corporation tax of 19.0% (2020: 19.0%)	154.3	93.4
Effects of:		
Other items including non-deductible expenses and non-taxable income	(0.9)	4.8
Additional tax relief for land remediation costs	(1.8)	(1.3)
Adjustment in respect of previous years	(4.9)	(8.9)
Impact of change in tax rate	5.4	1.1
<b>Tax charge for the year</b>	<b>152.1</b>	89.1

During the year, legislation was substantially enacted to increase the UK corporation tax rate from 19.0% to 25.0% from 1 April 2023. Accordingly, the rate change includes the remeasurement of opening temporary differences to between 19% and 25% depending on the timing of the expected reversal.

HM Treasury has consulted on the policy design of a Residential Property Developer Tax on certain profits from residential development activity. The consultation closed on 22 July 2021 and the subsequent release of draft legislation is anticipated later this year. Residential Property Developer Tax will be effective from 1 April 2022 but, at present, the rate of tax and the basis on which it will apply have neither been announced nor substantively enacted.

2.6.2 Tax recognised in equity

In addition to the amount charged to the Consolidated Income Statement, a net current and deferred tax credit of £3.3m (2020: £13.3m) was recognised directly in equity.

2.6.3 Deferred tax

All deferred tax relates to the United Kingdom and is stated on a net basis as the Group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

The Group recognised a net deferred tax liability with the following movements in the year:

	Group					
	Pension scheme £m	Share options £m	Losses £m	Indefinite life brands £m	Accelerated capital allowances £m	Other (net) £m
At 1 July 2019	(11.6)	5.3	–	(17.0)	1.1	4.6
Year ended 30 June 2020:						
Income Statement (charge)/credit	(2.2)	(1.3)	0.1	(2.0)	(0.4)	9.3
Amounts taken directly to equity	13.1	(1.4)	–	–	–	–
At 30 June 2020	(0.7)	2.6	0.1	(19.0)	0.7	13.9
Comprising:						
Deferred tax assets	–	2.6	0.1	–	0.7	14.1
Deferred tax liabilities	(0.7)	–	–	(19.0)	–	(0.2)
<b>Year ended 30 June 2021:</b>						
Income Statement (charge)/credit	0.4	3.2	(0.1)	(6.0)	0.2	(7.4)
Amounts taken directly to equity	0.4	2.8	–	–	–	–
<b>At 30 June 2021</b>	<b>0.1</b>	<b>8.6</b>	<b>–</b>	<b>(25.0)</b>	<b>0.9</b>	<b>6.5</b>
Comprising:						
Deferred tax assets	0.1	8.6	–	–	0.9	6.5
Deferred tax liabilities	–	–	–	(25.0)	–	–

The deferred tax liability in respect of indefinite life brands represents the amount of tax that would become due if the brands were sold at their book value. There is no intention to sell the indefinite life brands in the foreseeable future and, therefore, it is not anticipated that any of the deferred tax liability in respect of brands will reverse in the 12 months following the balance sheet date. The deferred tax asset in respect of share schemes represents an estimate of the future tax deduction available on the exercise or vesting of awards under those schemes.

2.6 Tax CONTINUED

2.6.3 Deferred tax continued

While it is anticipated that an element of the remaining deferred tax assets and liabilities will reverse during the 12 months following the balance sheet date, at present it is not possible to accurately quantify the value of all of these reversals.


In addition to the deferred tax liability shown above, the Group has not recognised a deferred tax asset of £2.6m (2020: £2.1m) in respect of capital and other losses amounting to £13.9m (2020: £10.9m) because these are not considered recoverable in the foreseeable future.

The Company recognised a net deferred tax asset with the following movements in the year:

	Company				
	Pension scheme £m	Share options £m	Accelerated capital allowances £m	Other (net) £m	Total £m
At 1 July 2019	(11.6)	2.7	0.6	0.5	(7.8)
Year ended June 2020:					
Income Statement (charge)/credit	(2.2)	(1.2)	0.1	(0.1)	(3.4)
Amounts taken directly to equity	13.1	(0.9)	–	–	12.2
At 30 June 2020	(0.7)	0.6	0.7	0.4	1.0
Comprising:					
Deferred tax assets	–	0.6	0.7	0.4	1.7
Deferred tax liabilities	(0.7)	–	–	–	(0.7)
Year ended 30 June 2021:					
Income Statement (charge)/credit	0.4	1.9	0.1	(0.2)	2.2
Amounts taken directly to equity	0.4	1.1	–	–	1.5
At 30 June 2021	0.1	3.6	0.8	0.2	4.7
Comprising:					
Deferred tax assets	0.1	3.6	0.8	0.2	4.7
Deferred tax liabilities	–	–	–	–	–

3 Working capital and provisions

3.1 Inventories

 **Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost of work in progress comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Overhead costs include, but are not limited to, roads and other infrastructure costs required for a site and local contributions and physical works contributions required under planning permissions granted for our developments.

Land held for development, including land in the course of development, is initially recorded at discounted cost. Where, through deferred purchase credit terms, the carrying value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the Income Statement over the period of settlement.

Due to the scale of the Group’s developments, the Group has to allocate site-wide development costs between homes built in the current year and in future years. It also has to estimate costs to complete on such developments. In making these assessments, there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made. Further information is included in the margin recognition section of note 2.3.

	Group	
	2021 £m	2020 £m
Land held for development	2,946.3	3,112.3
Construction work in progress	1,675.9	1,852.4
Part-exchange properties and other inventories	23.3	63.2
	4,645.5	5,027.9

The Company has no inventories.

3.1 Inventories CONTINUED

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 2021 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 £3.6m (2020: £18.8m) and gross impairment reversals of £7.1m (2020: £10.6m), resulting in a net reversal of impairment of £3.5m (2020: £8.2m 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.

3.2 Trade and other receivables

 **Trade and other receivables**

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Amounts recoverable on certain construction contracts where revenue is recognised over time are included in trade receivables and stated at cost plus attributable profit less any foreseeable losses. Payments received on account for these construction contracts are deducted from amounts recoverable on these contracts.

Trade and other receivables are initially recognised at their transaction price and subsequently measured at amortised cost, being their nominal value less a loss allowance for expected credit losses which are assessed on the basis of an average weighting of the risk of default. Any impairment is recognised immediately in the Income Statement.

For this purpose, a default is determined to have occurred if the Group becomes aware of evidence that it will not receive all contractual cash flows that are due or if payment has not been received within 60 days of the due date. After this time, it is probable that contractual cash flows will not be fully recovered.

The Group does not hold any collateral over these balances.

Trade receivables are receivables and contract assets arising from the Group’s contracts with customers. The loss allowance is equal to the lifetime expected credit loss, assessed on an individual basis.

The loss allowances for other receivables and amounts due from subsidiary undertakings are equal to 12 month expected credit losses unless there has been a significant increase in credit risk since the date of initial recognition, in which case the loss allowance is equal to the lifetime expected credit loss. A significant increase in credit risk is judged to have occurred if a review of available information indicates an increased probability of default, or if contractual payments are more than 30 days past due.

Where amounts due from subsidiary undertakings can be satisfied by the subsidiaries through the recovery of a debt from fellow subsidiaries with strong capacity to meet that debt, the amount is considered to have low credit risk at the reporting date and it is, therefore, assumed that the credit risk has not significantly increased.

Trade and other receivables that are more than two years overdue are deemed to have no reasonable expectation of recovery and are, therefore, written off in the Financial Statements, but are still subject to enforcement activity. Subsequent recoveries of amounts previously written off are credited to the Income Statement.



# Notes to the Financial Statements CONTINUED

Year ended 30 June 2021

## 3.2 Trade and other receivables CONTINUED

	Notes	Group		Company	
		2021 £m	2020 £m	2021 £m	2020 £m
Non-current assets					
Amounts due from subsidiary undertakings		–	–	75.8	–
Other receivables <sup>1</sup>		1.2	2.3	–	–
		1.2	2.3	75.8	–
Current assets					
Trade receivables		71.4	34.6	–	–
Contract assets	3.4	0.9	0.9	–	–
Amounts due from subsidiary undertakings		–	–	0.2	395.5
Other receivables <sup>1,2</sup>		92.9	34.8	11.1	1.3
Prepayments and accrued income		14.4	15.7	7.9	8.6
		179.6	86.0	19.2	405.4

<sup>1</sup> Secured loans, previously presented separately, have been included within other receivables.

<sup>2</sup> Following the buy-out of the Group defined benefit pension scheme, £0.8m of assets, previously presented within retirement benefit assets, have been included in other receivables at 30 June 2021. See note 6.2 for further details.

Other receivables include £26.9m (2020: £15.7m) receivable from joint ventures.

The carrying values of trade and other receivables are stated after allowance for doubtful receivables. The movements in the loss allowances for the year were as follows:

	Notes	Trade receivables and contract balances		Other receivables		Amounts due from subsidiary undertakings
		Lifetime expected credit losses (individually assessed)		12 month expected credit losses		12 month expected credit losses
		Group £m	Company £m	Group £m	Company £m	Company £m
<b>Allowance for doubtful receivables</b>						
Loss allowance at 1 July 2020		7.6	–	0.9	–	–
Charge for the year	5.3.3	3.4	–	–	–	–
Amounts written off		(0.5)	–	–	–	–
Recoveries of amounts previously written off	5.3.3	(4.4)	–	(0.7)	–	–
<b>Loss allowance at 30 June 2021</b>		6.1	–	0.2	–	–

Movements in loss allowances are principally a result of the derecognition and origination of financial assets in the year. The loss allowances written off are equal to the gross carrying amounts of the assets written off in the year. The Directors consider that the carrying amount of trade receivables approximates to their fair value.

Further disclosures relating to financial assets are set out in note 5.3.

## 3.3 Trade and other payables



### Trade and other payables

Trade and other payables on normal terms are not interest bearing and are stated at amortised cost.

Trade and other payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate by discounting at prevailing market interest rates at the date of recognition. The discount to nominal value, which will be paid in settling the deferred purchase terms liability, is amortised over the period of the credit term and charged to finance costs using the ‘effective interest rate’ method.

## 3.3 Trade and other payables CONTINUED

	Notes	Group		Company	
		2021 £m	2020 £m	2021 £m	2020 £m
<b>Non-current liabilities</b>					
Land payables		294.9	299.0	–	–
Other payables		1.9	20.7	–	–
		296.8	319.7	–	–
<b>Current liabilities</b>					
Trade payables		289.6	186.8	4.0	2.0
Land payables		363.4	492.9	–	–
Contract liabilities	3.4	137.5	136.6	–	–
Amounts due to subsidiary undertakings		–	–	764.3	19.3
Accruals		582.2	463.0	24.4	11.5
Other tax and social security		13.0	11.3	–	–
Other payables¹		15.5	14.8	4.8	0.8
		1,401.2	1,305.4	797.5	33.6

<sup>1</sup> Following the buy-out of the Group defined benefit pension scheme, £1.3m of liabilities, previously presented net within retirement benefit assets, have been included in other payables at 30 June 2021. See note 6.2 for further details.

The carrying amount of trade payables approximates to their fair value.

Accruals include costs required to complete developments on which all sales have been completed and a social security accrual relating to share-based payments (note 6.3). Other payables classified as non-current liabilities at 30 June 2021 include amounts accrued for payment of the CITB levy and other sundry accruals.

The Group has £290.9m (2020: £377.7m) of payables secured by legal charges on land and buildings included within inventories and £8.5m (2020: £20.2m) supported by promissory notes. Other non-current payables are unsecured and non-interest bearing.

Further disclosures relating to financial liabilities are set out in note 5.3.

## 3.4 Contract assets and liabilities

Contract assets relate to amounts due from customers primarily for construction work completed but not invoiced at the balance sheet date in relation to contracts where revenue is recognised over time. These amounts are included in trade and other receivables. The Group has taken advantage of the practical expedient in paragraph 94 of IFRS 15 to immediately expense the incremental costs of obtaining contracts where the amortisation period of the assets would have been one year or less.

Contract liabilities relate to payments received from the customer on the contract, and/or amounts invoiced to the customer in advance of the Group performing its obligations on contracts where revenue is recognised either over time or at a point in time. These amounts are included within trade and other payables.

Significant changes in contract assets and liabilities are as follows:


	Contracts on which revenue is recognised over time		Contracts on which revenue is recognised at a point in time	
	2021 £m	2020 £m	2021 £m	2020 £m
At 1 July:				
Amounts included within trade and other payables	(13.0)	(22.8)	(123.6)	(78.4)
Amounts included within trade and other receivables	0.9	1.1	–	–
	(12.1)	(21.7)	(123.6)	(78.4)
Movements in the year:				
Performance obligations satisfied in the year	69.1	140.9	4,742.6	3,278.2
Amounts invoiced in the year	(62.7)	(131.3)	(4,619.0)	(3,199.8)
Cash received for performance obligations not yet satisfied	–	–	(130.9)	(123.6)
Movements in retentions	–	–	–	–
<b>At 30 June</b>	<b>(5.7)</b>	<b>(12.1)</b>	<b>(130.9)</b>	<b>(123.6)</b>
Analysed as:				
Amounts included within trade and other payables	(6.6)	(13.0)	(130.9)	(123.6)
Amounts included within trade and other receivables	0.9	0.9	–	–

Further revenue of £148.7m (2020: £217.5m) is expected to be recognised in future years in respect of contracts on which revenue is recognised over time, of which 20.0% (2020: 22.6%) is expected to be recognised within 12 months of the balance sheet date.

The Company has no contract assets or liabilities.

3.5 Leases

3.5.1 The Group as lessee

Leases

A right-of-use asset and a lease liability are recognised at the commencement date of a lease. The right-of-use asset is initially measured at cost comprising the initial amount of the lease liability plus payments made before the lease commenced and any direct costs less any incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement of the lease to the earlier of the end of the lease term or the end of the useful life of the asset. The right-of-use asset is also reduced for impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments at the commencement date discounted using the Group's incremental borrowing rate of between 1% and 6%, and is subsequently measured at amortised cost using the effective interest method. The lease liability is remeasured when there is a change in the future lease payments, and a corresponding adjustment is made to the right-of-use asset.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of plant and machinery that have a lease term of 12 months or less and leases of low value including leases of office equipment. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group and Company lease assets including land and buildings, vehicles, plant and machinery and office equipment. Information about leases for which the Group or Company is a lessee is presented below.

	Group			Company		
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
Right-of-use assets						
Balance at 1 July 2020	38.6	8.1	46.7	4.3	0.5	4.8
Balance at 30 June 2021	30.6	8.7	39.3	3.7	0.8	4.5
Net additions during the year including remeasurements	1.2	5.2	6.4	–	0.7	0.7

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Lease liabilities included in the Balance Sheet				
Current	10.9	11.7	0.9	0.9
Non-current	29.8	36.1	3.6	3.9
	40.7	47.8	4.5	4.8

A maturity analysis of the contractual undiscounted cash flows associated with these lease liabilities is presented in note 5.4.1.

	Group	
	2021 £m	2020 £m
Amounts recognised in the Income Statement		
Interest on lease liabilities	1.3	2.0
Depreciation of right-of-use land and buildings	9.2	9.4
Depreciation of other right-of-use assets	4.6	4.2
Expenses relating to short-term and low value leases	27.1	33.9

The total Group cash outflow for leases in the current year was £41.9m (Company: £1.0m) (2020: £47.7m (Company £1.1m)), of which £14.8m (Company: £1.0m) (2020: £14.1m (Company: £1.0m)) related to the repayment of lease liabilities recognised in the Balance Sheet.

3.5.2 The Group as lessor

The Group has lease agreements with third parties for certain residential and commercial properties, either in the process of development or which have been developed by the Group, and units on land to be subsequently developed for residential use. The Group retains the right to sell these properties, with their future rental income, and it is intended that they will be sold to third parties in the normal course of business. Therefore, they are classified as work in progress until the date of sale.

3.5 Leases


CONTINUED

3.5.2 The Group as lessor continued

	Notes	Group	
		2021 £m	2020 £m
Property rental income	2.3.1	1.2	1.2
Carrying value of leased assets		1.0	1.2
Rent receivable during remaining lease period:			
Within one year		1.1	1.1
More than one year and no later than five years		3.7	3.4
In five years or more		4.4	4.0
		9.2	8.5

	2021 Years	2020 Years
Average lease term	9.7	9.5


3.6 Provisions

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

	Legacy properties		Group
	– EWS and associated review £m	– Citiscape and associated review £m	Total £m
At 1 July 2020	11.4	16.8	28.2
Additions to provisions in the year	32.6	57.7	90.3
Releases	(0.2)	(4.4)	(4.6)
Utilisation in the year	(2.2)	(44.1)	(46.3)
At 30 June 2021	41.6	26.0	67.6

The Company has no provisions.

Costs associated with legacy properties

External wall systems and associated review

The Group is undertaking a review of all of its current and legacy buildings where it has used EWS or cladding solutions and continues to assess the action required in line with the latest updates to Government guidance, as it applies, to multi-storey and multi-occupied residential buildings. All of our buildings, including those incorporating EWS or cladding solutions, were signed off by approved inspectors as compliant with the relevant Building Regulations at the time of completion. We have provided for the cost of assisting with remedial work identified at a limited number of legacy properties where we have a legal liability to do so, where relevant build issues have been identified, or it is considered that such build issues are likely to exist.

The amounts provided reflect the current best estimate of the extent and future costs of work required; however, these estimates may be updated as work progresses or if Government legislation and regulation further evolves.

Citiscape and associated review

As announced in July 2020, we took the decision to pay for required remedial action on the reinforced concrete frame at the Citiscape development in Croydon and undertook an associated review of 26 other developments where reinforced concrete frames were designed for us by either the same original engineering firm or by other companies within the group of companies which has since acquired it. This review is substantially complete and has not identified any other buildings with issues as severe as those present at Citiscape. Detailed reviews are ongoing and, in line with our commitment to put our customers first we will ensure that the costs associated with any remedial works from these reviews are not borne by leaseholders.

Management have made estimates as to the future costs, to the extent of the remedial works required and the costs of providing alternative accommodation to those affected. The Financial Statements have been prepared based on currently available information, including known costs and quotations where possible. However, the extent, cost and timing of remedial work may change as work progresses.

Management have performed a sensitivity analysis to assess the impact of a change in their estimate of total costs. A 20% increase in estimated costs recognised in the year would affect cost of sales and would reduce the Group's gross margin by 40 bps. Whilst provisions are expected to be utilised within one year, there is uncertainty over this timing.



4 Business combinations and other investing activities

4.1 Business combinations

Consolidation
The financial statements of subsidiary undertakings are consolidated from the date when control passes to the Group, as defined in IFRS 3, using the acquisition method of accounting up to the date control ceases. All of the subsidiaries' identifiable assets and liabilities, including contingent liabilities, existing at the date of acquisition are recorded at their fair values. All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the subsidiary are included in the Income Statement. All intra-Group transactions and intercompany profits or losses are eliminated on consolidation.

A full list of the subsidiary undertakings of the Group and Company is included in note 7.4.

4.1.1 Merger reserve

The merger reserve comprises the non-statutory premium arising on shares issued as consideration for the acquisition of subsidiaries where merger relief under section 612 of the Companies Act 2006 applies.

4.1.2 Non-controlling interests

Table with 3 columns: Movement in non-controlling interest share of net assets recognised in the Consolidated Balance Sheet, 2021 £m, and 2020 £m. Rows include At 1 July, Distribution of profits to non-controlling partner, Share of profit for the year recognised in the Consolidated Income Statement, and At 30 June.

There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities. Detailed arrangements for each subsidiary are laid out in the relevant shareholder and partnership agreements.

4.1.3 Company investments in subsidiary undertakings

Company investments
The Company's interests in subsidiary undertakings are accounted for at cost less accumulated provision for impairment.
Where share-based payments are granted to the employees of subsidiary undertakings by the Company, they are treated as a capital contribution to the subsidiary and the Company's investment in the subsidiary is increased accordingly.

Table with 3 columns: Cost, 2021 £m, and 2020 £m. Rows include At 1 July, Increase in investment in subsidiaries related to share-based payments, At 30 June, Impairment, At 1 July and 30 June, Net book value, At 1 July, and At 30 June.

4.2 Goodwill and other intangible assets

4.2.1 Goodwill

Goodwill
Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the separately identifiable net assets and liabilities acquired.
Goodwill arising on the acquisition of subsidiary undertakings and businesses is capitalised as an asset but reviewed for impairment at least annually (see note 4.2.3).
For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination at acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in the Income Statement and is not subsequently reversed.

4.2 Goodwill and other intangible assetsCONTINUED

4.2.1 Goodwill continued

Table with 3 columns: Cost, 2021 £m, and 2020 £m. Rows include At 30 June, Accumulated impairment losses, At 30 June, Carrying amount, and At 30 June.

The Group's goodwill relating to the acquisition of Wilson Bowden Limited in 2007 has a carrying value of £792.2m, and goodwill relating to the 2019 acquisition of Oregon Timber Frame Limited has a carrying value of £13.7m, both relating to the housebuilding business.

4.2.2 Other intangible assets – Brands

Brands
The Group has capitalised, as intangible assets, brands that have been acquired. Acquired brand values are calculated using discounted cash flows. Where a brand is considered to have a finite life, it is amortised over its useful life on a straight-line basis. Where a brand is capitalised with an indefinite life, it is not amortised. The factors that contribute to the durability of brands capitalised are that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangible assets. Internally generated brands are not capitalised.
The Group carries out an annual impairment review of indefinite life brands as part of the review of the carrying value of goodwill, by performing a value-in-use calculation, using a discount factor based upon the Group's pre-tax weighted average cost of capital (note 4.2.3).

Customer contract relationships
The Group has capitalised, as intangible assets, acquired customer contract relationships. Customer contract relationships are valued at the present value of future cash flows and are amortised on a straight-line basis in line with contract relationships at the acquisition date. Internally generated customer contract relationships are not capitalised.

Table with 6 columns: Brands, Customer contract relationships, and Total, each with 2021 £m and 2020 £m. Rows include Cost, At 1 July and 30 June, Amortisation, At 1 July, Amortisation in the year, At 30 June, Carrying amount, and At 30 June.

The Group does not amortise the housebuilding brand acquired with Wilson Bowden, being David Wilson Homes, valued at £100.0m, as the Directors consider that this brand has an indefinite useful economic life due to the fact that the Group intends to hold and support the brand for an indefinite period and there are no factors that would prevent it from doing so.

In 2019, the Group acquired brands valued at £0.9m and customer contract relationships valued at £1.4m. These assets are amortised on a straight-line basis in line with the contract relationships at the acquisition date.

# Notes to the Financial Statements CONTINUED

Year ended 30 June 2021

4.2 Goodwill and other intangible assets CONTINUED

4.2.3 Impairment of goodwill and indefinite life brands

The Group conducts an annual impairment review of goodwill and its indefinite life brand, David Wilson Homes, together for the cash-generating unit to which it is allocated, being the housebuilding business.



Impairment of goodwill and indefinite life brands

The impairment review for the goodwill of the housebuilding business and the Group’s indefinite life brand requires an estimation of the value-in-use of the housebuilding business. The value-in-use calculation requires an estimate of the expected future cash flows from the housebuilding business, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows.

An impairment review was performed at 30 April 2021 by comparing the value-in-use of the housebuilding business to the carrying value of its tangible and intangible assets and allocated goodwill.

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

The Group’s financial forecasts reflect the outcomes that Management consider most likely, based on the information available at the date of signing of these Financial Statements. The key assumptions underlying the forecasts are:

- expected changes in selling prices for completed houses and the related impact on operating margin: these are determined on a site-by-site basis in the Group’s approved business plan dependent upon local market conditions and product type. For subsequent years, 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 in the Group’s approved business plan dependent upon local market conditions, land availability and planning permissions. For subsequent years, these have been estimated at a Group level based on past experience and expectations of future changes in the market, taking into account external market forecasts; and
- expected changes in site costs to complete: these are determined on a site-by-site basis in the Group’s approved business plan dependent upon the expected costs of completing all aspects of each individual development. For subsequent years, these have been estimated at a Group level based on past experience and expectations of future changes in the market, taking into account external market forecasts.

The forecasts have been sensitised to reflect scenarios based on the Group’s principal risks and the downside prospects for the UK economy through adjustments to the key assumptions. The adverse scenarios modelled are the Directors’ assessment of a reasonable worst-case scenario, being that used to assess the Group’s ability to continue as a going concern in note 1.3, and a scenario in which the Group’s risks manifest to an intermediate level. The risk-adjusted expected future cash flows are the weighted average of these possible economic outcomes. The value-in-use constitutes the present value of these cash flows through the application of an appropriate discount rate.

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

- discount rate: this is a pre-tax rate reflecting the Group’s target capital structure and current market assessments of the time value of money. A rate of 11.8% (2020: 10.0%) is considered by the Directors to be the appropriate pre-tax discount rate; and
- probability of variance in assumptions: Management consider the assumptions applied in the Group’s forecast to represent the most likely outcomes.

The result of the value-in-use exercise concluded that the recoverable value of goodwill and intangible assets exceeded its carrying value by £1,861.2m (2020: £1,182.5m) and there has been no impairment. The increase in headroom is a result of an improved forecast outlook following the recovery of the business and wider economy from COVID-19.

4.3 Investments in jointly controlled entities and associated entities

4.3.1 Joint ventures

A jointly controlled entity ‘JV’ is an entity, including an unincorporated entity such as a partnership, in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity. An associated entity is an entity, including an unincorporated entity such as a partnership, in which the Group holds a significant influence and that is neither a subsidiary nor an interest in a JV.



Jointly controlled and associated entities

Investments in JVs and associated entities are accounted for using the equity method of accounting.

The Group’s share of the profit or loss of JVs and associated entities increase or decrease the carrying amount of the investment and long-term interests.

4.3 Investments in jointly controlled entities and associated entities CONTINUED

4.3.1 Joint ventures continued

	Group	
	2021	2020
	£m	£m
<b>JVs and associates</b>		
At 1 July	<b>152.1</b>	189.0
Increase in amounts invested in JVs	<b>7.9</b>	31.2
Repayment of investments in JVs	<b>(3.4)</b>	(72.2)
Dividends received from JVs	<b>(21.2)</b>	(24.2)
Share of post-tax profit for the year from JVs	<b>27.7</b>	28.3
<b>At 30 June</b>	<b>163.1</b>	152.1

There are no losses in any of the Group’s JVs or associates which have not been recognised by the Group.

In December 2020, the Group disposed of its interest in BK Scotswood LLP, for total consideration, received in cash, of £2.0m, recognising a £2.0m profit on disposal which is included within sundry income. Through this transaction, the Group has disposed of its significant interest in New Tyne West Development Company LLP.

At 30 June 2021, the Group had interests in the following jointly controlled entities:

JV	Percentage owned	Voting rights controlled	Country of registration	Principal place of business	Principal activity	Financial year end date
51 College Road LLP	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
Alie Street LLP <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
Barratt Metropolitan LLP <sup>1</sup>	75.0%	50.0%	England and Wales	UK	Housebuilding	30 June
Barratt Wates (East Grinstead) Limited	50.0%	50.0%	England and Wales	UK	Holding company	30 June
Barratt Wates (East Grinstead No.2) Limited <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
Barratt Wates (Horley) Limited <sup>1</sup>	78.5%	50.0%	England and Wales	UK	Housebuilding	30 June
Barratt Wates (Lindfield) Limited	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
Barratt Wates (Worthing) Limited	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
BDWZest Developments LLP <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Holding company	31 March*
BDWZest LLP	50.0%	50.0%	England and Wales	UK	Holding company	31 March*
Blackhorse Road Properties LLP <sup>1</sup>	51.0%	50.0%	England and Wales	UK	Housebuilding	30 June
Brooklands Milton Keynes LLP	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
DWH/Wates (Thame) Limited	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
Enderby Wharf LLP	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
Fulham Wharf LLP <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
Fulham Wharf One Limited <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Dormant	31 March*
Fulham Wharf Two Limited <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Dormant	31 March*
Harrow View LLP	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
Infinity Park Derby LLP	50.0%	50.0%	England and Wales	UK	Commercial development	30 June
Nine Elms LLP <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
Nine Elms One Limited <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Dormant	31 March*
Nine Elms Two Limited <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Dormant	31 March*
Old Sarum Park Properties Limited	50.0%	50.0%	England and Wales	UK	Dormant	30 June
Queensland Road LLP <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
Ravenscraig Limited <sup>1</sup>	33.3%	33.3%	Scotland	UK	Commercial development	31 December*
Ravenscraig Town Centre LLP	50.0%	50.0%	England and Wales	UK	Dormant	30 June
Rose Shared Equity LLP	50.0%	50.0%	England and Wales	UK	Investment entity	30 June
Sovereign BDW (Hutton Close) LLP	50.0%	50.0%	England and Wales	UK	Dormant	30 June
Sovereign BDW (Newbury) LLP	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
Wichelstowe LLP	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
ZestBDW LLP	50.0%	50.0%	England and Wales	UK	Holding company	31 March*

\*JV prepares financial statements which are non-coterminous with the Group in order to comply with the terms of their JV agreements and to align with the year-ends and requirements of our JV partners.

Judgements applied in determining the classification of joint arrangements

<sup>1</sup> The Group holds three JV investments (Barratt Wates (Horley) Limited, Barratt Metropolitan LLP and Blackhorse Road Properties LLP) not in equal share, and one (Ravenscraig Limited) with more than one other party. However, in each case, the Group has equal voting rights and control over the activities of the companies with the other parties. In addition, the Group and the other parties to the agreements only have rights to the net assets of these companies through the terms of the contractual arrangements. These entities are therefore classified as JVs.

<sup>2</sup> The Group’s interests in a number of the entities classified as JVs are held indirectly.

- Barratt Wates (East Grinstead) No. 2 Limited is a wholly owned subsidiary of the Group’s JV, Barratt Wates (East Grinstead) Limited, and is, therefore, classified as a JV of the Group.
- BDWZest Developments LLP, Alie Street LLP, Queensland Road LLP, Fulham Wharf LLP and Nine Elms LLP form a group of limited liability partnerships jointly owned (directly or indirectly) by BDWZest LLP and ZestBDW LLP, both of which are JVs of the Group. Nine Elms One Limited and Nine Elms Two Limited are wholly owned subsidiaries of Nine Elms LLP, and Fulham Wharf One Limited and Fulham Wharf Two Limited are wholly owned subsidiaries of Fulham Wharf LLP. All of these entities are, therefore, classified as JVs of the Group.



# Notes to the Financial StatementsCONTINUED

Year ended 30 June 2021

4.3 Investments in jointly controlled entities and associated entitiesCONTINUED

4.3.1 Joint ventures continued  
Registered offices

The registered office of all of the entities in the preceding table, with the exception of those listed below is: Barratt House, Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF.

Enderby Wharf LLP: Here East 13 East Bay Lane, 3rd Floor Press Centre, Queen Elizabeth Park, London, E15 2GW.

Sovereign BDW (Hutton Close) LLP and Sovereign BDW (Newbury) LLP: Sovereign House, Basing View, Basingstoke, RG21 4FA.

Ravenscraig Limited: 15 Atholl Crescent, Edinburgh EH3 8HA.

Summarised financial information relating to these JVs is as follows:

	Harrow View LLP		Blackhorse Road Developments LLP		Other JVs		Group Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	£m	£m	£m	£m	£m	£m	£m	£m
Income	58.1	58.8	32.7	18.9	178.1	201.1	268.9	278.8
Adjusted expenditure	(46.6)	(48.3)	(25.2)	(15.2)	(141.7)	(159.1)	(213.5)	(222.6)
Credit associated with legacy properties	-	-	-	-	3.6	-	3.6	-
Interest payable	-	-	-	-	(2.0)	(1.8)	(2.0)	(1.8)
	11.5	10.5	7.5	3.7	38.0	40.2	57.0	54.4
Tax	-	-	-	-	0.1	0.2	0.1	0.2
Profit for the year, being total comprehensive income	11.5	10.5	7.5	3.7	38.1	40.4	57.1	54.6
Group share of profit for the year recognised in the Consolidated Income Statement	5.8	5.3	3.8	1.9	18.1	21.1	27.7	28.3
Dividends received from JVs in the year	6.5	2.5	-	-	14.7	21.7	21.2	24.2
Current assets	90.2	92.7	44.9	31.9	261.3	250.5	396.4	375.1
Non-current assets	-	-	-	-	10.8	13.9	10.8	13.9
Current liabilities	(11.6)	(12.7)	(10.7)	(5.2)	(190.3)	(188.9)	(212.6)	(206.8)
Non-current liabilities	-	-	-	-	(40.2)	(43.2)	(40.2)	(43.2)
Net assets of JVs	78.6	80.0	34.2	26.7	41.6	32.3	154.4	139.0
Cash and cash equivalents included in the above net assets	20.8	11.4	15.1	13.7	55.4	38.9	91.3	64.0
Group share of net assets recognised in the Consolidated Balance Sheet at 30 June	39.3	40.0	17.4	13.6	20.4	16.6	77.1	70.2

A reconciliation of the Group's share of net assets to the carrying value of investmtns included in the Balance Sheet is presented below:

	Group	
	2021	2020
	£m	£m
Group share of the net assets of its JVs	77.1	70.2
Group loans to JVs	86.0	81.9
At 30 June	163.1	152.1

4.3 Investments in jointly controlled entities and associated entitiesCONTINUED

4.3.1 Joint ventures continued


The Group has made loans, net of loss allowances, of £86.0m (2020: £81.9m) to its JVs, which are presented within Group investments. The loss allowances for Group loans to JVs are equal to 12-month expected credit losses unless there has been a significant increase in credit risk since the date of initial recognition, in which case, the loss allowance is equal to the lifetime expected credit loss. A significant increase in credit risk is judged to have occurred if a review of available information indicates an increased probability of default. At 30 June 2021, the loss allowance is immaterial (2020: immaterial).

Included within the Group's share of net assets of JVs is a proportion of the loans to the JVs (net of fair value adjustments made in one JV), calculated using the Group's ownership share, of £82.7m (2020: £75.1m).

During the year, the Group entered into a number of transactions with its JVs in respect of funding and development management services (with charges made based on the utilisation of these services) in addition to the provision of construction services. Further details on these transactions are provided in note 7.2.3. The Group and Company have a number of contingent liabilities relating to their JVs. Further details on these are provided in note 7.1.2.

The transfer of funds from the Group's JVs to the Group is determined by the terms of the JV agreements, which specify how available funds should be applied in repaying loans and capital, and distributing profits to the partners.

4.4 Jointly controlled operations



### Jointly controlled operations

The Group's share of profits and losses from its investments in jointly controlled operations is accounted for on a direct basis and is included in the Income Statement. The Group's share of its investments, assets and liabilities is accounted for on a directly proportional basis in the Group's Balance Sheet.

The Group enters into jointly controlled operations as part of its housebuilding and property development activities. The Company has no jointly controlled operations (2020: none).

The Group has significant interests in the following jointly controlled operation:


Joint operation	Share of profits and assets consolidated	Principal place of business	Principal activity
Chapel Hill	50.0% <sup>1</sup>	UK	Housebuilding

<sup>1</sup> Subject to achieving forecast profitability, 50% of profits are attributable to the Group. 50% of assets are consolidated excluding land, land creditors and any part-exchange properties.

The Group's share of the joint operations' income and expenses included in the Consolidated Income Statement during the year, and the assets and liabilities of the joint operations which are included in the Group Balance Sheet, are shown below:

	Group	
	2021	2020
	£m	£m
Group share:		
Income	15.4	12.2
Expenses	(11.8)	(11.1)
Share of profit from joint operations	3.6	1.1
Current assets	27.5	13.0
Current liabilities	(12.8)	(1.9)
Share of net assets of joint operations	14.7	11.1

4.5 Property, plant and equipment



### Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of the assets on a straight-line basis to their residual value over their estimated useful lives. Residual values and asset lives are reviewed annually.

Freehold properties are depreciated on a straight-line basis over 25 years. Freehold land is not depreciated. Plant is depreciated on a straight-line basis over its expected useful life, which ranges from one to seven years.

# Notes to the Financial Statements CONTINUED

Year ended 30 June 2021

## 4.5 Property, plant and equipment CONTINUED

	Group			Company		
	Property £m	Plant and equipment £m	Total £m	Property £m	Plant and equipment £m	Total £m
<b>Cost</b>						
At 1 July 2019	6.3	43.7	50.0	0.2	22.2	22.4
Additions	–	7.5	7.5	–	4.9	4.9
Disposals	(0.8)	(3.3)	(4.1)	–	(2.1)	(2.1)
At 30 June 2020	5.5	47.9	53.4	0.2	25.0	25.2
<b>Additions</b>	<b>0.1</b>	<b>7.1</b>	<b>7.2</b>	<b>–</b>	<b>6.1</b>	<b>6.1</b>
<b>Disposals</b>	<b>–</b>	<b>(1.7)</b>	<b>(1.7)</b>	<b>–</b>	<b>(1.6)</b>	<b>(1.6)</b>
<b>At 30 June 2021</b>	<b>5.6</b>	<b>53.3</b>	<b>58.9</b>	<b>0.2</b>	<b>29.5</b>	<b>29.7</b>
<b>Depreciation</b>						
At 1 July 2019	3.3	29.3	32.6	0.2	14.5	14.7
Charge for the year	0.3	5.2	5.5	–	2.7	2.7
Disposals	(0.8)	(2.9)	(3.7)	–	(1.7)	(1.7)
At 30 June 2020	2.8	31.6	34.4	0.2	15.5	15.7
<b>Charge for the year</b>	<b>0.3</b>	<b>5.5</b>	<b>5.8</b>	<b>–</b>	<b>3.1</b>	<b>3.1</b>
<b>Disposals</b>	<b>–</b>	<b>(1.7)</b>	<b>(1.7)</b>	<b>–</b>	<b>(1.6)</b>	<b>(1.6)</b>
<b>At 30 June 2021</b>	<b>3.1</b>	<b>35.4</b>	<b>38.5</b>	<b>0.2</b>	<b>17.0</b>	<b>17.2</b>
<b>Net book value</b>						
At 30 June 2020	2.7	16.3	19.0	–	9.5	9.5
<b>At 30 June 2021</b>	<b>2.5</b>	<b>17.9</b>	<b>20.4</b>	<b>–</b>	<b>12.5</b>	<b>12.5</b>

Authorised future capital expenditure that was contracted but not provided for in these Financial Statements amounted to £0.7m (2020: £0.3m).

## 5 Capital structure and financing

### 5.1 Net cash

Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and prepaid fees. Net cash at 30 June is shown below:

	Notes	Group		Company	
		2021 £m	2020 £m	2021 £m	2020 £m
<b>Cash and cash equivalents</b>	5.1.1	<b>1,518.6</b>	619.8	<b>1,319.0</b>	424.0
<b>Drawn debt</b>					
<b>Borrowings:</b>					
Sterling US private placement notes		<b>(200.0)</b>	(200.0)	<b>(200.0)</b>	(200.0)
Bank overdrafts		<b>(5.3)</b>	(117.7)	<b>–</b>	(111.0)
<b>Total borrowings being total drawn debt</b>		<b>(205.3)</b>	(317.7)	<b>(200.0)</b>	(311.0)
Prepaid fees		<b>4.1</b>	6.1	<b>4.1</b>	6.1
<b>Net cash</b>		<b>1,317.4</b>	308.2	<b>1,123.1</b>	119.1
<b>Total borrowings at 30 June are analysed as:</b>					
Non-current borrowings		<b>(200.0)</b>	(200.0)	<b>(200.0)</b>	(200.0)
Current borrowings		<b>(5.3)</b>	(117.7)	<b>–</b>	(111.0)
<b>Total borrowings being total drawn debt</b>		<b>(205.3)</b>	(317.7)	<b>(200.0)</b>	(311.0)

### 5.1 Net cash CONTINUED

Movement in net cash is analysed as follows:

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>898.8</b>	(516.2)	<b>895.0</b>	(465.3)
<b>Repayment/(drawdown) of borrowings:</b>				
Loans and borrowings drawdowns	–	–	–	(58.4)
Loans and borrowings repayments	<b>112.4</b>	60.0	<b>111.0</b>	–
<b>Other movements in borrowings:</b>				
Movement in prepaid fees	<b>(2.0)</b>	(1.3)	<b>(2.0)</b>	(1.3)
Movement in net cash in the year	<b>1,009.2</b>	(457.5)	<b>1,004.0</b>	(525.0)
Opening net cash	<b>308.2</b>	765.7	<b>119.1</b>	644.1
<b>Closing net cash</b>	<b>1,317.4</b>	308.2	<b>1,123.1</b>	119.1

Changes in liabilities arising from financing activities are shown below:


	Group			Company		
	Total borrowings £m	Lease liabilities £m	Total £m	Total borrowings £m	Lease liabilities £m	Total £m
Liabilities from financing activities at 1 July 2019	(377.7)	(55.0)	(432.7)	(252.6)	(5.6)	(258.2)
Financing cash flows	60.0	14.1	74.1	(58.4)	1.0	(57.4)
Other movements	–	(6.9)	(6.9)	–	(0.3)	(0.3)
Liabilities arising from financing activities at 30 June 2020	(317.7)	(47.8)	(365.5)	(311.0)	(4.9)	(315.9)
Financing cash flows	<b>112.4</b>	<b>14.8</b>	<b>127.2</b>	<b>111.0</b>	<b>1.0</b>	<b>112.0</b>
Other movements	–	<b>(7.7)</b>	<b>(7.7)</b>	–	<b>(0.6)</b>	<b>(0.6)</b>
<b>Liabilities arising from financing activities at 30 June 2021</b>	<b>(205.3)</b>	<b>(40.7)</b>	<b>(246.0)</b>	<b>(200.0)</b>	<b>(4.5)</b>	<b>(204.5)</b>

#### 5.1.1 Cash and cash equivalents

Cash and cash equivalents are held at floating interest rates linked to the UK bank rate 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.

Further disclosures relating to financial assets are set out in note 5.3.1.

#### 5.1.2 Borrowings and facilities

**Loans and borrowings**

Interest bearing loans and overdrafts are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost, being the amount recorded at recognition plus accrued interest applied to the account less any repayments made.

All debt facilities at 30 June 2021 are unsecured.

The principal features of the Group’s committed debt facilities at 30 June 2021 and 30 June 2020 were as follows:


	Facility	Amount drawn		Maturity
		30 June 2021	30 June 2020	
<b>Committed facilities:</b>				
RCF	£700.0m	–	–	22 November 2024
Fixed rate Sterling USPP notes	£200.0m	<b>£200.0m</b>	£200.0m	22 August 2027

The Group also uses various bank overdrafts and uncommitted borrowing facilities that are subject to floating interest rates linked to UK rates, LIBOR until 31 May 2021, and SONIA from 1 June 2021 and money market rates as applicable.

Weighted average interest rates are disclosed in note 5.2.



5.2 Net finance costs

 **Finance costs and income**


The Group recognises finance costs and income on bank borrowings, deposits and other borrowings in the Income Statement in the period to which they relate.

	Notes	2021 £m	2020 £m
<b>Recognised in the Consolidated Income Statement:</b>			
<b>Finance income</b>			
Finance income on short-term bank deposits		<b>(0.5)</b>	(3.0)
Finance income related to employee benefits	6.2.2	<b>(0.1)</b>	(1.6)
Other interest receivable		<b>(0.8)</b>	(0.5)
		<b>(1.4)</b>	(5.1)
<b>Finance costs</b>			
Interest on loans and borrowings		<b>9.8</b>	9.5
Imputed interest on deferred term payables		<b>13.7</b>	19.9
Finance charge on leased assets		<b>1.3</b>	2.0
Amortisation of facility fees		<b>2.0</b>	2.3
Other interest payable		<b>1.2</b>	1.3
		<b>28.0</b>	35.0
<b>Net finance costs</b>		<b>26.6</b>	29.9

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

	Group		Company	
	2021 %	2020 %	2021 %	2020 %
USPP notes	<b>2.8</b>	2.8	<b>2.8</b>	2.8


5.3 Financial instruments

 **Recognition**

Financial assets and financial liabilities are recognised on the Balance Sheet in accordance with IFRS 9 when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group derecognises a financial liability only when the Group’s obligations are discharged, cancelled or they expire.

 **Classification and measurement**


Non-derivative financial assets are classified in accordance with IFRS 9 as either ‘fair value through profit and loss’ or ‘subsequently measured at amortised cost’. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

All non-derivative financial liabilities are classified as ‘subsequently measured at amortised cost’.

Financial assets and liabilities subsequently measured at amortised cost are initially recognised at fair value determined based on discounted cash flow analysis using current market rates for similar instruments. They are subsequently measured at amortised cost using the ‘effective interest rate’ method. Financial assets are also measured after recognition of any impairment.

Financial assets classified as ‘fair value through profit and loss’ are measured at fair value at the end of each reporting period. Gains and losses arising from changes in fair value are charged directly to the Income Statement to the extent that they are not part of a designated hedging relationship.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

 **Impairment**

A loss allowance is recognised for expected credit losses on financial assets as described in note 3.2. Any impairment is recognised immediately in the Income Statement.

5.3 Financial instruments CONTINUED

**5.3.1 Financial assets**  
The carrying values and fair values of the Group and Company financial assets are as follows:

	Notes	Group				Company			
		Fair value £m	2021 Carrying value £m	Fair value £m	2020 Carrying value £m	Fair value £m	2021 Carrying value £m	Fair value £m	2020 Carrying value £m
Cash and cash equivalents	5.1	<b>1,518.6</b>	<b>1,518.6</b>	619.8	619.8	<b>1,319.0</b>	<b>1,319.0</b>	424.0	424.0
Measured at amortised cost:									
Trade and other receivables <sup>1</sup>		<b>119.8</b>	<b>119.8</b>	58.1	58.1	<b>9.6</b>	<b>9.6</b>	0.5	0.5
Intercompany receivables	3.2	–	–	–	–	<b>76.0</b>	<b>76.0</b>	395.5	395.5
Total financial assets		<b>1,638.4</b>	<b>1,638.4</b>	677.9	677.9	<b>1,404.6</b>	<b>1,404.6</b>	820.0	820.0

<sup>1</sup> Excludes amounts recoverable on contracts, prepayments and accrued income, and tax and social security.

**5.3.2 Financial liabilities**  
The carrying values and fair values of the Group and Company financial liabilities are as follows:

	Notes	Group				Company			
		Fair value £m	2021 Carrying value £m	Fair value £m	2020 Carrying value £m	Fair value £m	2021 Carrying value £m	Fair value £m	2020 Carrying value £m
Measured at amortised cost:									
Bank overdrafts	5.1	<b>5.3</b>	<b>5.3</b>	117.7	117.7	–	–	111.0	111.0
Loans and borrowings	5.1	<b>202.8</b>	<b>200.0</b>	184.5	200.0	<b>202.8</b>	<b>200.0</b>	184.5	200.0
Trade and other payables <sup>1</sup>		<b>1,296.1</b>	<b>1,293.8</b>	1,252.7	1,245.1	<b>16.9</b>	<b>16.9</b>	11.8	11.8
Intercompany payables	3.3	–	–	–	–	<b>764.3</b>	<b>764.3</b>	19.3	19.3
Lease liabilities	3.5	<b>40.7</b>	<b>40.7</b>	47.8	47.8	<b>4.5</b>	<b>4.5</b>	4.8	4.8
Total financial liabilities		<b>1,544.9</b>	<b>1,539.8</b>	1,602.7	1,610.6	<b>988.5</b>	<b>985.7</b>	331.4	346.9

<sup>1</sup> Excludes deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

The fair values of liabilities in the above table have been determined using discounted cash flows based on observable market data other than quoted prices in active markets for identical liabilities.

Trade and other payables include items secured by legal charges as disclosed in note 3.3.

**5.3.3 Financial instruments gains and losses**  
The net (gains)/losses recorded in the Consolidated Income Statement, in respect of financial instruments (excluding interest shown in note 5.2), were as follows:

	Notes	2021 £m	2020 £m
<b>Financial assets measured at amortised cost</b>			
Trade receivables – loss allowance charge	3.2	<b>3.4</b>	5.8
Recoveries of doubtful receivables	3.2	<b>(5.1)</b>	(4.8)

# Notes to the Financial Statements CONTINUED

Year ended 30 June 2021

## 5.4 Financial risk management

The Group’s approach to risk management and the principal operational risks of the business are detailed on pages 56 to 64. The Group’s financial assets and financial liabilities are detailed in note 5.3.

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

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

### 5.4.1 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 22.8% (2020: 35.3%) of available committed facilities at 30 June 2021. In addition, the Group had £1,518.6m (2020: £619.8m) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2021. The Group’s resilience to its principal risks has been modelled, together with possible mitigating actions, over a three-year period. At the date of approval of the Financial Statements, the Group’s internal forecasts indicate that it will be able to operate within its current facilities and remain in compliance with these covenants for the foreseeable future, being at least 12 months from the date of signing these Financial Statements.

One of the Group’s objectives is to minimise refinancing risk. The Group, therefore, has a policy that the average maturity of its committed bank facilities and private placement notes is a minimum of two years with a target of two to three years. At 30 June 2021, the average maturity of the Group’s committed facilities was 4.0 years (2020: 5.0 years).

The Group maintains certain committed floating rate facilities with banks to ensure sufficient liquidity for its operations. The undrawn committed facilities available to the Group, in respect of which all conditions precedent had been met, were as follows:

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Expiry date				
In more than two years but not more than five years	700.0	700.0	700.0	700.0

In addition, the Group had undrawn, uncommitted overdraft facilities available at 30 June 2021 of £17.0m (2020: £55.0m).

The expected undiscounted cash flows of the Group and Company financial liabilities, by remaining contractual maturity at the balance sheet date were, as follows:

Group	Notes	Carrying amount £m	Contractual cash flow £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
		£m	£m	£m	£m	£m	£m
2021							
Loans and borrowings (including bank overdrafts) <sup>1</sup>	5.3.2	205.3	235.9	5.5	5.5	16.6	208.3
Trade and other payables <sup>2</sup>	5.3.2	1,293.8	1,320.1	1,003.2	173.0	129.8	14.1
Lease liabilities	3.5	40.7	48.6	12.1	8.6	15.6	12.3
		1,539.8	1,604.6	1,020.8	187.1	162.0	234.7
2020							
Loans and borrowings (including bank overdrafts) <sup>1</sup>	5.3.2	317.7	239.6	5.5	5.5	16.6	212.0
Trade and other payables <sup>2</sup>	5.3.2	1,245.1	1,276.7	953.4	171.0	136.6	15.7
Lease liabilities	3.5	47.8	56.7	13.2	10.4	17.9	15.2
		1,610.6	1,573.0	972.1	186.9	171.1	242.9

<sup>1</sup> The Group is party to banking agreements that include a legal right of offset which enables the overdraft balances of £5.3m (2020: £117.7m) to be settled net with cash balances. These balances have been excluded from contractual cash flows.

<sup>2</sup> Excludes deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

The Group had no derivative financial instruments at 30 June 2021 or 30 June 2020.

## 5.4 Financial risk management CONTINUED

### 5.4.1 Liquidity risk continued

Company	Notes	Carrying amount £m	Contractual cash flow £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
2021							
Loans and borrowings (including bank overdrafts)	5.3.2	200.0	235.9	5.5	5.5	16.6	208.3
Trade and other payables <sup>1</sup>	5.3.2	16.9	16.9	16.9	–	–	–
Intercompany payables	5.3.2	764.3	764.3	764.3	–	–	–
Lease liabilities	3.5	4.5	4.7	1.0	0.9	2.2	0.6
		985.7	1,021.8	787.7	6.4	18.8	208.9
2020							
Loans and borrowings (including bank overdrafts)	5.3.2	311.0	350.6	116.5	5.5	16.6	212.0
Trade and other payables <sup>1</sup>	5.3.2	11.8	11.8	11.8	–	–	–
Intercompany payables	5.3.2	19.3	19.3	19.3	–	–	–
Lease liabilities	3.5	4.8	5.0	0.9	0.8	2.1	1.2
		346.9	386.7	148.5	6.3	18.7	213.2

<sup>1</sup> Excludes tax and social security and other non-financial liabilities.

The Company had no derivative financial instruments at 30 June 2021 or 30 June 2020.

### 5.4.2 Market risk (price risk)

#### Interest rate risk

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

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

Due to the level of the Group’s interest cover ratio and in accordance with the Group’s policy to hedge a proportion of the forecast RCF drawings based on the Group’s three-year plan, no interest rate hedges are currently required.

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

Group		Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
2021					
Financial liability exposure to interest rate risk		–	200.0	1,339.8	1,539.8
2020					
Financial liability exposure to interest rate risk		–	200.0	1,410.6	1,610.6

The exposure of the Company’s financial liabilities to interest rate risk is as follows:

Company		Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
2021					
Financial liability exposure to interest rate risk		–	200.0	785.7	985.7
2020					
Financial liability exposure to interest rate risk		130.0	200.0	16.9	346.9

Floating interest rates on Sterling borrowings are linked to UK rates, LIBOR until 31 May 2021 and SONIA from 1 June 2021, and money market rates. The floating rates are fixed in advance for periods generally ranging from one to six months. Short-term flexibility is achieved through the use of overdraft, committed and uncommitted bank facilities. The Group retained a strong cash position throughout the year and, therefore, the Group did not draw on its RCF during the year and the use of other facilities was minimal. No interest was paid on floating rate borrowings in 2021 (2020 rate of interest on minimal floating rate borrowings: 1.7%).

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.



# Notes to the Financial Statements CONTINUED

Year ended 30 June 2021

5.4 Financial risk management CONTINUED

5.4.2 Market risk (price risk) continued  
Sensitivity analysis

In the year ended 30 June 2021, if UK interest rates had been 0.5% higher (considered to be a reasonably possible change) and all other variables were held constant, the Group’s pre-tax profit would increase by £4.9m (2020: £2.6m), the Group’s post-tax profit would increase by £4.0m (2020: £2.1m) and, as such, the Group’s equity would increase by £4.0m (2020: £2.1m). Had interest rates reduced to zero, the Group’s pre-tax profit would decrease by £0.5m and the Group’s post-tax profit and equity would decrease by £0.4m.

5.4.3 Credit risk

In the majority of cases, the Group receives cash on legal completion for private sales and receives advance stage payments from registered providers for affordable housing. Included within trade and other receivables is £29.9m (2020: £12.0m) 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 it has an insignificant risk of default. In addition, the Group has £1,518.6m (2020: £619.8m) on deposit with nine financial institutions. Other than this, neither the Group nor the Company has a significant concentration of credit risk, as their exposure is spread over a large number of counterparties and customers.

The Group manages credit risk through its credit policy. This limits its exposure to financial institutions with high credit ratings, as set by international credit rating agencies, and determines the maximum permissible exposure to any single counterparty.

The maximum exposure to any counterparty at 30 June 2021 was £244.0m (2020: £100.7m) of cash on deposit with a financial institution. The carrying amount of financial assets recorded in the Financial Statements, net of any allowance for losses, represents the Group’s maximum exposure to credit risk.

As at 30 June 2021, the Company was exposed to £76.0m (2020: £389.4m) of credit risk in relation to intercompany loans, which are considered to be of low credit risk and fully recoverable, as well as financial guarantees, performance bonds and the bank borrowings of subsidiary undertakings. Further details are provided in notes 7.1 and 7.2.

5.4.4 Capital risk management (cash flow risk)

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

The Group manages its share capital as equity, as set out in the Statement of Changes in Shareholders’ Equity, and its bank borrowings (being overdrafts and bank loans) and its private placement notes as other financial liabilities, as set out in note 5.3.2. The Group is subject to the prevailing conditions of the UK economy and the quantum of the Group’s earnings is dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions, employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. The Group’s approach to the management of the principal operational risks of the business are detailed on pages 56 to 64.

Following the lockdown introduced by the UK Government in response to COVID-19, in order to manage its cash flows and capital structure, the Company paid no final dividend or special cash payment in respect of the year ended 30 June 2020. Strong cash generation since 30 June 2020 has enabled the Group to resume dividend payments. An interim dividend of 7.5 pence per share has been paid in respect of the year ending 30 June 2021, and a final dividend of 21.9 pence per share is proposed. The Group also temporarily suspended land buying activity and carefully managed its operational cash flows.

Other methods by which the Group can manage its short-term and long-term capital structure include: further adjusting the level of dividend payments to shareholders (assuming the Company is paying a dividend); issuing new share capital; arranging debt to meet liability payments; and selling assets to reduce debt.

5.5 Share capital



Equity instruments

Ordinary share capital is recorded at the proceeds received, net of direct issue costs and is classified as equity.

5.5.1 Ordinary share capital

	2021 £m	2020 £m
<b>Allotted and issued ordinary shares</b>		
10p each fully paid: 1,018,331,741 (2020: 1,018,302,400) ordinary shares	<b>101.8</b>	101.8

	2021 Number	2020 Number
<b>Options over the Company’s shares granted during the year</b>		
LTPP	<b>3,204,477</b>	2,629,027
Sharesave	<b>1,913,489</b>	3,142,874
DBP	-	583,505
ELTIP	<b>1,249,000</b>	1,254,200
	<b>6,366,966</b>	7,609,606

5.5 Share capital CONTINUED

5.5.1 Ordinary share capital continued

	2021 Number	2020 Number
<b>Allotment of shares during the year</b>		
At 1 July	<b>1,018,302,400</b>	1,016,985,862
Issued to satisfy early exercises under Sharesave schemes	<b>10,251</b>	39,215
Issued to satisfy exercises under matured Sharesave schemes	<b>19,090</b>	1,277,323
<b>At 30 June</b>	<b>1,018,331,741</b>	1,018,302,400

5.5.2 Own shares reserve

The own shares reserve represents the cost of shares in Barratt Developments PLC purchased in the market or issued by the Company and held by the EBT on behalf of the Company in order to satisfy options and awards that have been granted by the Company.

The EBT has agreed to waive all, or any future right to dividend payments on shares held within the EBT and these shares do not count in the calculation of the weighted average number of shares used to calculate EPS until such time as they are vested to the relevant employee.

	2021	2020
Ordinary shares in the Company held in the EBT (number)	<b>1,300,125</b>	4,708,806
Cost of shares held in the EBT	<b>£4.7m</b>	£20.1m
Market value of shares held in the EBT at 695.2p (2020: 495.9p) per share	<b>£9.0m</b>	£23.4m

During the year, the EBT purchased no (2020: 1,174,900) shares in the market and disposed of 1,719,011 shares in settlement of exercises under the Sharesave 2015 5-year plan and the Sharesave 2017 3-year plan (2020: 111,851 shares in settlement of exercises under the SMSOP 2009/10 and the SMIS). A further 1,689,670 (2020: 2,526,498) shares were used to satisfy the vesting of the ELTIP 60th Anniversary Award, the LTPP and the DBP.

6 Directors and employees

6.1 Key management and employees

Key management personnel, as defined under IAS 24 ‘Related Party Disclosures’, have been identified as the Board of Directors, as the controls operated by the Group ensure that all key decisions are reserved for the Board. Detailed disclosures of Directors’ individual remuneration, pension entitlements and share options, for those Directors who served during the year, are given in the audited sections within the Remuneration Report on pages 103 to 109.

A summary of key management remuneration is as follows:

	2021 £m	2020 £m
Salaries and fees (including pension compensation)	<b>2.8</b>	2.8
Social security costs <sup>1</sup>	<b>1.6</b>	1.2
Performance bonus	<b>2.6</b>	-
Benefits	<b>0.1</b>	0.1
Share-based payments <sup>2</sup>	<b>3.6</b>	0.4
<b>Total</b>	<b>10.7</b>	4.5

<sup>1</sup> Excluded from the Executive Directors’ and Non-Executive Directors’ single figure of remuneration tables on page 103.

<sup>2</sup> IFRS 2 ‘Share-Based Payment’ charge attributable to key management.

Total employee numbers and costs are as follows:

	Group	Company
	2021 Number	2021 Number
<b>Average employee numbers (excluding sub-contractors, including Directors)</b>	<b>6,422</b>	<b>365</b>

# Notes to the Financial Statements CONTINUED

Year ended 30 June 2021



## 6.1 Key management and employees CONTINUED

		Group		Company	
		2021	2020	2021	2020
	Notes	£m	£m	£m	£m
<b>Employee costs (including Directors):</b>					
Wages and salaries including bonuses		362.0	318.8	41.4	27.4
Redundancy costs		0.9	1.0	0.4	0.2
Social security costs		45.6	34.5	8.0	3.3
Other pension costs	6.2	16.2	13.6	3.7	1.3
Share-based payments	6.3	20.4	6.8	9.6	1.4
<b>Employee costs before grant repayment/(income)</b>	2.3	<b>445.1</b>	374.7	<b>63.1</b>	33.6
CJRS grant repayment/(income)	2.3.3	<b>26.0</b>	[26.0]	<b>0.6</b>	[0.6]
<b>Employee costs for the year</b>		<b>471.1</b>	348.7	<b>63.7</b>	33.0

The majority of the costs of the Company’s employees are charged to other Group companies.

## 6.2 Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

 <b>Defined contribution schemes</b> The Group’s contributions to the schemes are charged in the Income Statement in the year in which the contributions fall due.
 <b>Defined benefit scheme</b> The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Income Statement and presented in the Statement of Comprehensive Income. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.  The retirement benefit asset recognised in the Balance Sheet represents the excess of the fair value of the scheme assets over the present value of the defined benefit obligation.  The Directors engage a qualified independent actuary to calculate the Group’s liability in respect of its defined benefit pension scheme. In calculating this liability, it is necessary for actuarial assumptions to be made, which include estimations of discount rates, salary and pension increases, price inflation and mortality. As actual rates of increase and mortality may differ from those assumed, the gross pension liability may differ from that included in these Financial Statements. As a result of the buy-out, no defined benefit liabilities remained in the Scheme at 30 June 2021. In the prior year these liabilities were matched by an insurance asset.  A gain or loss on settlement of a defined benefit scheme is recognised through the Income Statement at the point at which the Group has no further legal or constructive obligation for part or all of the benefits.

### 6.2.1 Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees, under which it pays contributions to independently administered funds. 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.

	2021 £m	2020 £m
<b>Contributions during the year</b>		
Group defined contribution schemes’ Consolidated Income Statement charge	13.9	13.6

At the balance sheet date, there were outstanding contributions of £1.9m (2020: £2.0m), which were paid on or before the due date.

### 6.2.2 Defined benefit scheme

The Group sponsored a funded defined benefit pension scheme in Great Britain (the ‘Scheme’) which, with effect from 30 June 2009, ceased to offer future accrual of defined benefit pensions. Alternative defined contribution pension arrangements are in place for current employees.

The Scheme provides benefits to members based on their length of service and their salary in the final years leading up to retirement or date of ceasing active accrual if earlier. The Scheme is operated 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.

## 6.2 Retirement benefit obligations CONTINUED

### 6.2.2 Defined benefit scheme continued

On 16 June 2020, the Trustees entered into a bulk annuity insurance contract with an insurer in respect of the liabilities of the Scheme (a ‘buy-in’). As the buy-in policy is a qualifying insurance asset, the fair value of the insurance policy is deemed to be the present value of the obligations that have been insured. The policy secured exactly matches the benefits due to Scheme members under the Scheme’s Trust Deed and Rules, and the asset was, therefore, set equal to the liabilities covered. An additional liability was recognised in respect of GMP equalisation.

During the year to 30 June 2021, the insurer has, in return for a premium from the Trustees, assumed responsibility for each of the previously bought-in benefits of Scheme members (a ‘buy-out’). This has resulted in the discharge of all Scheme liabilities from the Group and the disposal of all Scheme assets. A loss on settlement of £1.1m has been recognised in the Income Statement, comprising £0.7m paid from Scheme assets and £0.4m of payments made by the Group in connection with the settlement.

The Group has retained a £1.3m liability for GMP equalisation (including £0.1m in respect of another Group scheme) and ownership of £0.8m of Scheme assets. All other risks pertaining to the Scheme have been removed at the balance sheet date.

For the purposes of calculating the accounting costs and obligations of the Scheme, the assets of the Scheme were assumed to match the value of the obligations insured. The liabilities of the Scheme have been calculated at each balance sheet date using the following assumptions:

Principal actuarial assumptions	2021	2020
<b>Weighted average assumptions to determine benefit obligations</b>		
Discount rate	1.89%	1.58%
Pensions-in-payment increase rate	3.22%	2.94%
Rate of price inflation	3.43%	3.08%
<b>Weighted average assumptions to determine net cost</b>		
Discount rate	1.58%	2.31%
Pensions-in-payment increase rate	2.94%	3.17%
Rate of price inflation	3.08%	3.38%

Members are assumed to exchange 15% (2020: 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 1956 (life expectancy at age 65)	22.8 years	24.4 years
Non-retired member born in 1976 (life expectancy at age 65)	23.9 years	25.5 years

The base mortality assumptions are based on the SAPS SP3MA/S2PFA\_M (2020: SP3MA/S2PFA\_M) 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 mortality tables. Allowance for future increases in life expectancy is made in line with the CMI 2020 projections with a long-term trend of 1.25% per annum (2020: CMI 2019 projections with a long term trend of 1.25% per annum).

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

	Notes	2021 £m	2020 £m
Past service cost		(1.2)	–
Administrative expenses		(0.7)	–
<b>Pension costs recognised in operating expenses in the Consolidated Income Statement</b>		<b>(1.9)</b>	–
Interest cost		(6.6)	[8.9]
Interest income		6.7	10.5
<b>Pension income recognised in net finance costs in the Consolidated Income Statement</b>	5.2	<b>0.1</b>	1.6
<b>Total pension (expense)/income recognised in the Consolidated Income Statement</b>		<b>(1.8)</b>	1.6

The amounts recognised in the Group and Company Statements of Comprehensive Income were as follows:

	2021 £m	2020 £m
Expected return less actual return on Scheme assets	(15.6)	[29.6]
Gain/(loss) arising from changes in the assumptions underlying the present value of benefit obligations	13.4	[39.6]
<b>Total pension remeasurements recognised in the Group and Company Statements of Comprehensive Income</b>	<b>(2.2)</b>	[69.2]

# Notes to the Financial Statements CONTINUED

Year ended 30 June 2021

6.2 Retirement benefit obligations CONTINUED

6.2.2 Defined benefit scheme continued

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

	2021 £m	2020 £m
Net asset for defined benefit obligations at 1 July	3.5	62.6
Contributions paid to the Scheme	–	8.5
Amounts recognised in the Consolidated Income Statement	(1.8)	1.6
Amounts recognised in the Statement of Comprehensive Income	(2.2)	(69.2)
Amount transferred to other receivables and other payables (see tables below)	0.5	–
<b>Surplus for funded Scheme/net asset recognised in the Group and Company Balance Sheets at 30 June</b>	<b>–</b>	<b>3.5</b>
Analysed as:		
Present value of funded obligations	–	(425.8)
Fair value of Scheme assets	–	429.3

A deferred tax asset of £0.1m (2020: £0.7m liability) has been recognised in the Group and Company Balance Sheets in relation to the Scheme (note 2.6.3).

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

	2021 £m	2020 £m
Present value of defined benefit obligations at 1 July	425.8	393.9
Past service cost	1.2	–
Settlement of obligations on disposal	(406.5)	–
Interest cost	6.6	8.9
Actuarial (gain)/loss	(13.4)	39.6
Benefits paid from Scheme	(12.4)	(16.6)
Amounts transferred to other payables <sup>1</sup>	(1.3)	–
<b>Present value of defined benefit obligations at 30 June</b>	<b>–</b>	<b>425.8</b>

<sup>1</sup> Following the buy-out of the Scheme, the past service cost obligation retained by the Group has been included within other payables at 30 June 2021.

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

	2021 £m	2020 £m
Fair value of Scheme assets at 1 July	429.3	456.5
Settlement payments from Scheme assets	(406.5)	–
Interest income	6.7	10.5
Actuarial loss on Scheme assets	(15.6)	(29.6)
Administrative expenses paid from Scheme assets	(0.7)	–
Employer contributions	–	8.5
Benefits paid from Scheme	(12.4)	(16.6)
Amounts transferred to other receivables <sup>1</sup>	(0.8)	–
<b>Fair value of Scheme assets at 30 June</b>	<b>–</b>	<b>429.3</b>

<sup>1</sup> Following the buy-out of the Scheme, the assets retained by the Group have been included within other receivables at 30 June 2021.

The analysis of Scheme assets was as follows:

	2021		2020	
	£m	%	£m	%
Assets held by insurance company	–	–	425.8	99.2
Cash	–	–	3.5	0.8
<b>Total</b>	<b>–</b>	<b>–</b>	<b>429.3</b>	<b>100.0</b>

6.2 Retirement benefit obligations CONTINUED

6.2.2 Defined benefit scheme continued


The actual return on Scheme assets was as follows:

	2021 £m	2020 £m
<b>Actual return on Scheme assets</b>	<b>(8.9)</b>	<b>(19.1)</b>

The expected employer contribution to the Scheme in the year ending 30 June 2022 is £nil.

6.3 Share-based payments

The Group issues equity-settled share-based payments to certain employees.

 **Share-based payments**

In accordance with the transitional provisions, IFRS 2 'Share-based Payments' has been applied to all grants of equity instruments after 7 November 2002 that had not vested at 1 January 2005.

Equity-settled share-based payments are measured at the fair value of the equity instrument at the date of grant. Fair value is measured either using Black–Scholes, Present-Economic Value or Monte Carlo models depending on the characteristics of the scheme. The fair value is expensed in the Income Statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest where non-market vesting conditions apply. Non-vesting conditions are taken into account in the estimate of the fair value of the equity instruments.

Analysis of the Consolidated Income Statement charge:

	2021 £m	2020 £m
<b>Equity-settled share-based payments:</b>		
LTPP	12.3	(3.1)
Sharesave	1.7	2.0
SMIS	–	(0.2)
DBP	2.3	3.5
ELTIP	4.1	4.6
	<b>20.4</b>	<b>6.8</b>

As at 30 June 2021, an accrual of £5.3m (2020: £2.3m) was recognised in respect of social security liabilities on share-based payments.

6.3.1 Share-based payments reserve

The share-based payments reserve represents the obligation of the Group in relation to equity-settled share-based payment transactions. Details of movements in the share-based payments reserve are shown on the Statement of Changes in Shareholders' Equity.



Notes to the Financial Statements CONTINUED

Year ended 30 June 2021

6.3 Share-based payments CONTINUED

6.3.2 Outstanding equity-settled share-based payments

At 30 June 2021, the following options were outstanding:

Date of grant	Option price pence	2021 number	Not exercisable after
<b>Sharesave</b>			
27 April 2016 – 5-year plan	482	83,121	31 December 2021
24 April 2017 – 3-year plan	464	1,550	31 December 2021
24 April 2017 – 5-year plan	464	187,627	31 December 2022
20 April 2018 – 3-year plan	449	1,754,741	31 December 2021
20 April 2018 – 5-year plan	449	182,542	31 December 2023
9 April 2019 – 3-year plan	519	1,135,651	31 December 2022
9 April 2019 – 5-year plan	519	150,681	31 December 2024
7 April 2020 – 3-year plan	456	2,384,792	31 December 2023
7 April 2020 – 5-year plan	456	440,010	31 December 2025
7 April 2021 – 3-year plan	604	1,682,926	31 December 2024
7 April 2021 – 5-year plan	604	213,431	31 December 2026
<b>Total Sharesave options</b>		<b>8,217,072</b>	
<b>LTPP</b>			
22 October 2018 – Executive	–	1,524,595	–
24 October 2019 – Executive	–	1,281,179	–
30 November 2020 – Executive	–	1,477,919	–
18 February 2021 and 21 April 2021 – Executive	–	118,020	–
22 October 2018 – Senior Management	–	1,096,500	–
24 October 2019 – Senior Management	–	1,064,813	–
30 November 2020 – Senior Management	–	1,524,637	–
<b>Total LTPP awards</b>		<b>8,087,663</b>	
<b>DBP</b>			
22 October 2018	–	617,199	–
24 October 2019	–	551,589	–
<b>Total DBP awards</b>		<b>1,168,788</b>	
<b>ELTIP</b>			
15 July 2019 – HBF 5 Star Award	–	1,010,467	–
30 November 2020 – 500,000th House Award	–	1,139,117	–
<b>Total ELTIP awards</b>		<b>2,149,584</b>	
<b>Total</b>		<b>19,623,107</b>	

6.3.3 Further information relating to the share-based payment schemes

**LTPP**

The grant of awards under the LTPP is at the discretion of the Remuneration Committee taking into account individual performance and overall performance of the Group. Vesting under this scheme is dependent upon performance conditions including TSR, EPS and ROCE. Further details can be found in the Remuneration Report on page 101.

**DBP**

Deferred shares are held in accordance with the DBP as approved by the shareholders at the 2015 AGM. The DBP is currently utilised to hold shares awarded in respect of any bonus earned in excess of 100% of base salary. Further details can be found on page 104.

**Sharesave**

Under the Sharesave, participants are required to make monthly contributions to an HMRC approved savings contract with a bank or building society for a period of three or five years. On entering into the savings contract, participants are granted an option to acquire ordinary shares in the Company at an exercise price determined under the rules of the Sharesave. The Sharesave is open to all eligible employees as determined by the Board and is not subject to the satisfaction of any performance conditions.

**ELTIP**

The Board approved the 500,000th House Award in November 2020 and the HBF 5 Star Award in July 2019 under the ELTIP. The Awards were made to all eligible employees employed as at 30 November 2020 and 15 July 2019 respectively. Participants were entitled to receive shares in the Company when the HBF 5 Star Award vested on 15 July 2021, and participants of the 500,000th House Award will be entitled to receive shares in the Company when the Award vests on 30 November 2022. Senior Management are not eligible to participate in the ELTIP. The Awards are not subject to the satisfaction of any performance condition other than that participants remain employed by the Group and have not resigned before the end of the vesting period.

6.3 Share-based payments CONTINUED

6.3.4 Number and weighted average exercise price of outstanding share-based payments

The number and weighted average exercise prices of options and awards made under the Group’s share option schemes were as follows:

	2021		2020	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
<b>LTPP</b>				
Outstanding at 1 July	–	6,454,344	–	7,110,634
Forfeited during the year	–	(1,332,401)	–	(1,222,060)
Exercised during the year	–	(238,757)	–	(2,063,257)
Granted during the year	–	3,204,477	–	2,629,027
<b>Outstanding at 30 June</b>	–	<b>8,087,663</b>	–	6,454,344
<b>Exercisable at 30 June</b>	–	–	–	–

	2021		2020	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
<b>Sharesave</b>				
Outstanding at 1 July	467	8,706,565	470	7,545,862
Forfeited during the year	467	(654,630)	477	(665,633)
Exercised during the year	463	(1,748,352)	454	(1,316,538)
Granted during the year	604	1,913,489	456	3,142,874
<b>Outstanding at 30 June</b>	<b>499</b>	<b>8,217,072</b>	467	8,706,565
<b>Exercisable at 30 June</b>	–	–	–	–

	2021		2020	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
<b>DBP</b>				
Outstanding at 1 July	–	1,723,791	–	1,639,741
Forfeited during the year	–	(17,553)	–	(36,214)
Exercised during the year	–	(537,450)	–	(463,241)
Granted during the year	–	–	–	583,505
<b>Outstanding at 30 June</b>	–	<b>1,168,788</b>	–	1,723,791
<b>Exercisable at 30 June</b>	–	–	–	–

	2021		2020	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
<b>ELTIP</b>				
Outstanding at 1 July	–	2,047,011	–	1,024,259
Forfeited during the year	–	(232,964)	–	(231,448)
Exercised during the year	–	(913,463)	–	–
Granted during the year	–	1,249,000	–	1,254,200
<b>Outstanding at 30 June</b>	–	<b>2,149,584</b>	–	2,047,011
<b>Exercisable at 30 June</b>	–	–	–	–

The weighted average share price, at the date of exercise, of share options exercised during the year was 544.2p (2020: 637.9p). The weighted average life for all schemes outstanding at the end of the year was 1.7 years (2020: 1.8 years).

6.3.5 Fair value of options and awards granted in the year

Weighted average fair value of options granted

	Weighted average fair value of options granted		
	Valuation model	2021 pence	2020 pence
Sharesave	Black–Scholes model	221.8	73.5
LTPP	Black–Scholes model	619.0	645.0
DBP	Black–Scholes model	–	645.0
ELTIP	Black–Scholes model	576.0	536.0

6.3 Share-based payments CONTINUED
6.3.5 Fair value of options and awards granted in the year continued

Inputs used to determine fair value of options
The weighted average inputs to the Black-Scholes models were as follows:

	Grants 2021			Grants 2020			
	ELTIP	Sharesave	LTPP	ELTIP	Sharesave	LTPP	DBP
Average share price	620p	790p	620p	625p	471p	646p	646p
Average exercise price	-	604p	-	-	456p	-	-
Expected volatility	34.8%	36.3%	34.8%	29.1%	26.8%	24.6%	24.6%
Expected life	2.0 years	3.2 years	3.0 years	2.0 years	3.3 years	3.0 years	3.0 years
Risk free interest rate	0.05%	0.21%	(0.04)%	0.54%	0.16%	0.41%	0.41%
Expected dividends	3.70%	3.63%	-	7.51%	2.71%	-	-

Expected volatility was determined by reference to the historical volatility of the Group’s share price over a period consistent with the expected life of the options. The expected life used in the models has been adjusted, based on the Directors’ best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

7 Contingencies, related parties, post balance sheet events and subsidiaries

7.1 Contingent liabilities

7.1.1 Contingent liabilities related to subsidiaries
The Company has guaranteed certain bank borrowings of its subsidiary undertakings.

Certain subsidiary undertakings have commitments for the purchase of trading stock entered into in the normal course of business. In the normal course of business, the Group has given counter-indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £423.8m (2020: £399.1m), and confirm that at the date of these Financial Statements the possibility of cash outflow is considered minimal and no provision is required.

External wall systems and associated review
As disclosed in note 3.6, the Group is undertaking a review of all of its current and legacy buildings where it has used EWS or cladding solutions and continues to assess the action required in line with the latest updates to Government guidance, as it applies, to multi-storey and multi-occupied residential buildings. Approved Inspectors signed off all of our buildings, including the EWS or cladding used, as compliant with the relevant Building Regulations at the time of completion.

We recognise that the retrospective review of building materials continues to evolve. The Financial Statements have been prepared based on currently available information and the current best estimate of the extent and future costs of work required, based on the reviews and physical inspections undertaken. However, these estimates may be updated as further inspections are completed and as work progresses or if Government legislation and regulation further evolves.

Citiscape and associated review
As disclosed in note 3.6, following the issues identified at Citiscape, the Group is conducting a review of developments where reinforced concrete frames have been designed by either the same original engineering firm which designed Citiscape, or by other companies within the group of companies which has since acquired it. The Financial Statements have been prepared based on currently available information; however, the detailed review is ongoing and therefore the extent and cost of any remedial work may change as this work progresses. While in most cases we have no legal liability, in line with our commitment to put our customers first we will ensure that the costs associated with remedial works from these reviews are not borne by leaseholders.

We are actively seeking to recover costs from third parties; however, there is no certainty regarding the extent of any financial recovery.

7.1.2 Contingent liabilities related to JVs
The Group has given counter-indemnities in respect of performance bonds and financial guarantees to its JVs totalling £1.8m at 30 June 2021 (2020: £10.4m).

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. At 30 June 2021, the probability of any loss to the Group resulting from these guarantees is considered to be remote.

7.1.3 Contingent liabilities related to legal claims
On 4 September 2020, the UK Competition and Markets Authority (‘CMA’) announced that it was opening an enforcement case involving the Group (alongside certain other leading housing developers) as part of its ongoing investigation in relation to the sale of leasehold homes. As noted in its announcement, the CMA cannot levy administrative fines but it can enforce relevant consumer protection legislation through the courts and, where appropriate, obtain additional measures to (among other things) obtain redress for consumers. The Group is committed to putting its customers first and continues to engage with the CMA whilst it completes its investigation.

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

7.2 Related party transactions
7.2.1 Directors of Barratt Developments PLC and remuneration of key personnel
The Board and certain members of Senior Management are related parties within the definition of IAS 24 (Revised) ‘Related Party Disclosures’ (‘IAS 24’) and the Board are related parties within the definition of Chapter 11 of the UK Listing Rules. There is no difference between transactions with key personnel of the Company and transactions with key personnel of the Group.

Disclosures related to the remuneration of key personnel as defined in IAS 24 are given in note 6.1.

There have been no related party transactions as defined in Listing Rule 11.1.5R for the year ended 30 June 2021.

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

	Company	
	2021 £m	2020 £m
<b>Transactions between the Company and its subsidiaries during the year:</b>		
Charges in respect of management and other services provided to subsidiaries	111.7	67.2
Net interest paid by the Company on net loans from subsidiaries	15.8	5.0
Dividends received from subsidiary undertakings	8.7	519.3
<b>Balances at 30 June:</b>		
Amounts due by the Company to subsidiary undertakings	764.3	19.3
Amounts due to the Company from subsidiary undertakings	76.0	395.5

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

7.2.3 Transactions between the Group and its JVs
The Group has entered into transactions with its JVs as follows:

	Group	
	2021 £m	2020 £m
<b>Transactions between the Group and its JVs during the year:</b>		
Charges in respect of development management and other services provided to JVs	4.5	5.6
Interest charges in respect of funding provided to JVs	0.7	0.5
Dividends received from JVs	21.2	24.2
<b>Balances at 30 June:</b>		
Funding loans and interest due from JVs net of impairment	86.0	81.9
Other amounts due from JVs	26.9	15.7
Loans and other amounts due to JVs	(0.8)	(0.9)

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.

7.3 Post balance sheet events
In July 2021 the Government announced that the Building Safety Bill will extend the current six-year limitation period to a 15-year limitation period during which legal claims can be brought against developers and that this will be applied retrospectively when the Bill becomes law which is expected in 2022. This may result in additional legal liabilities for the Group which currently cannot be quantified.

In July 2021 the Government announced that EWS certificates should not be required by mortgagors on buildings below 18 metres. If this is accepted by the relevant stakeholders, being banks, leaseholders and surveyors, it would potentially reduce the scope of remediation works that are required to the EWS on lower-rise buildings.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2021

7.4 Group subsidiary undertakings

The entities listed below, and on the following pages, are subsidiaries of the Company or Group. All are registered in England and Wales or Scotland with the exception of SQ Holdings Limited which is registered in Guernsey. Unless otherwise stated, the results of these entities are consolidated within these Financial Statements.

The Group owns 100% of the ordinary share capital of the following subsidiaries:

Subsidiary	Registered office	Notes	Subsidiary	Registered office	Notes	Subsidiary	Registered office	Notes
Acre Developments Limited	2	A	Barratt Northern Limited	1		David Wilson Homes (Western) Limited	1	A
Advance Housing Limited	1	A	Barratt Norwich Limited	1	A	David Wilson Homes Land (No 10) Limited	1	A
Ambrose Builders Limited	1	A	Barratt Pension Trustee Limited	1		David Wilson Homes Land (No 11) Limited	1	A
Barratt Bristol Limited	1		Barratt Poppleton Limited	1	A	David Wilson Homes Land (No 12) Limited	1	A
Barratt Central Limited	1		Barratt Preston Limited	1	A	David Wilson Homes Land (No 13) Limited	1	A
Barratt Chester Limited	1	A	Barratt Properties Limited	1	A	David Wilson Homes Land (No 14) Limited	1	A
Barratt Commercial Limited	1		Barratt Scottish Holdings Limited	2	A	David Wilson Homes Land (No 15) Limited	1	A
Barratt Construction (Southern) Limited	1	A	Barratt South London Limited	1		David Wilson Homes Limited	1	A
Barratt Corporate Secretarial Services Limited	1		Barratt South Wales Limited	1		David Wilson Homes Services Limited	1	A
Barratt Developments (International) Limited	1		Barratt South West Limited	1	A	David Wilson Homes Yorkshire Limited	1	A
Barratt Dormant (Atlantic Quay) Limited	1	A	Barratt Southern Counties Limited	1		Decorfresh Projects Limited	1	A
Barratt Dormant (Blackpool) Limited	1	A	Barratt Southern Limited	1		Dicconson Holdings Limited	1	A
Barratt Dormant (Capella) Limited	1	A	Barratt Southern Properties Limited	1	A	E. Barker Limited	1	A
Barratt Dormant (Cheadle Hulme) Limited	1	A	Barratt St Mary's Limited	1		E. Geary & Son Limited	1	A
Barratt Dormant (Cheadle Hulme) Limited	1	A	Barratt St Paul's Limited	1	A	English Oak Homes Limited	1	
Barratt Dormant (Harlow) Limited	1	A	Barratt Sutton Coldfield Limited	1	A	Francis (Springmeadows) Limited	1	A
Barratt Dormant (Harlow) Limited	1	A	Barratt Trade And Property Company Limited	2	A	Frenchay Developments Limited	1	A
Barratt Dormant (Riverside Exchange Sheffield C2) Limited	1	A	Barratt Urban Construction (East London) Limited	1	A	G.D. Thorner (Construction) Limited	1	A
Barratt Dormant (Riverside Exchange Sheffield L/M) Limited	1	A	Barratt Urban Construction (Northern) Limited	1	A	G.D. Thorner (Holdings) Limited	1	A
Barratt Dormant (Riverside Quarter) Limited	1	A	Barratt Urban Construction (Scotland) Limited	2	A	Glasgow Trust Limited	2	A
Barratt Dormant (Riverside Sheffield Building C1) Limited	1	A	Barratt West Midlands Limited	1		Hartwood House Limited	1	
Barratt Dormant (Rugby) Limited	1	A	Barratt Woking Limited	1	A	Hawkstone (South West) Limited	1	A
Barratt Dormant (Southampton) Limited	1	A	Barratt York Limited	1		Heartland Development Company Limited	1	A
Barratt Dormant (Thetford) Limited	1	A	Bart 225 Limited	1	A	Idle Works Limited	1	A
Barratt Dormant (Tyers Bros. Oakham) Limited	1	A	Basildon Regeneration (Barratt Wilson Bowden) Limited	1	A	J. G. Parker Limited	1	A
Barratt Dormant (Walton) Limited	1	A	BDW (F.R.) Limited	1	A	James Harrison (Contracts) Limited	2	A
Barratt Dormant (WB Construction) Limited	1	A	BDW (F.R. Commercial) Limited	1	A	Janellis (No.2) Limited	1	A
Barratt Dormant (WB Developments) Limited	1	A	BDW North Scotland Limited	51		Kealoha 11 Limited	1	A
Barratt Dormant (WB Properties Developments) Limited	1	A	BDW Trading Limited	1		Kealoha Limited	1	A
Barratt Dormant (WB Properties Northern) Limited	1	A	Bradgate Development Services Limited	1	A	Kingsoak Homes Limited	1	A
Barratt East Anglia Limited	1	A	Broad Oak Homes Limited	1	A	Knightsdale Homes Limited	1	
Barratt East Midlands Limited	1		C V (Ward) Limited	1	A	Lindmere Construction Limited	1	A
Barratt East Scotland Limited	58	A	Cameoplot Limited	1	A	Marple Development Company Limited	1	A
Barratt Eastern Counties Limited	1	A	CHOQS 429 Limited	1	A	Meridian Press Limited	1	A
Barratt Edinburgh Limited	2	A	Crossbourne Construction Limited	1	A	Milton Park Homes Limited	1	A
Barratt Evolution Limited	1	A	David Wilson Estates Limited	1	A	Mountdale Homes Limited	1	
Barratt Falkirk Limited	2	A	David Wilson Homes (Anglia) Limited	1	A	Norfolk Garden Estates Limited	1	A
Barratt Leeds Limited	1		David Wilson Homes (East Midlands) Limited	1	A	North West Land Developments Limited	1	A
Barratt London Limited	1		David Wilson Homes (Home Counties) Limited	1	A	Oregon Contract Management Limited	51	A
Barratt Manchester Limited	1	A	David Wilson Homes (North Midlands) Limited	1	A	Oregon Timber Frame Limited	51	A
Barratt Newcastle Limited	1	A	David Wilson Homes (Northern) Limited	1	A	Oregon Timber Frame (England) Limited	1	A
Barratt North London Limited	1		David Wilson Homes (South Midlands) Limited	1	A	Redbourne Builders Limited	1	A
Barratt Northampton Limited	1		David Wilson Homes (Southern) Limited	1	A	Roland Bardsley Homes Limited	1	A
						Scothomes Limited	2	A
						Scottish Homes Investment Company, Limited	2	A

7.4 Group subsidiary undertakings CONTINUED

Subsidiary	Registered office	Notes	Subsidiary	Registered office	Notes	Subsidiary	Registered office	Notes
Skydream Property Co. Limited	1	A	Trencherwood Investments Limited	1	A	Ward Insurance Services Limited	1	A
Squires Bridge Homes Limited	1	A	Trencherwood Land Holdings Limited	1	A	Wards Construction (Industrial) Limited	1	A
Squires Bridge Limited	1	A	Trencherwood Land Limited	1	A	Wards Construction (Investments) Limited	1	A
Swift Properties Limited	1	A	Trencherwood Retirement Homes Limited	1	A	Wards Country Houses Limited	1	A
The French House Limited	1	A	Vizion (Milton Keynes) Limited	1	A	Waterton Tennis Centre Limited	29	A
Tomnik Limited	1	A	VSM (Bentley Priory 1) Limited	1	A	WBD (Wokingham) Limited	1	A
Trencherwood Commercial Limited	1	A	VSM (Bentley Priory 2) Limited	1	A	Westcountry Land (Union Corner) Limited	1	A
Trencherwood Construction Limited	1	A	VSM (Bentley Priory 3) Limited	1	A	William Corah & Son Limited	1	A
Trencherwood Developments Limited	1	A	VSM (Bentley Priory 4) Limited	1	A	William Corah Joinery Limited	1	A
Trencherwood Estates Limited	1	A	VSM (Bentley Priory 5) Limited	1	A	Wilson Bowden (Atlantic Quay Number 2) Limited	1	A
Trencherwood Group Services Limited	1	A	VSM (Bentley Priory 6) Limited	1	A	Wilson Bowden (Ravenscraig) Limited	1	
Trencherwood Homes (Holdings) Limited	1	A	Ward (Showhomes) Limited	1	A	Wilson Bowden City Homes Limited	1	A
Trencherwood Homes (Midlands) Limited	1	A	Ward Brothers (Gillingham) Limited	1	A	Wilson Bowden Developments Limited	1	A
Trencherwood Homes (South Western) Limited	1	A	Ward Holdings Limited	1	A	Wilson Bowden Group Services Limited	1	A
Trencherwood Homes (Southern) Limited	1	A	Ward Homes (London) Limited	1	A	Wilson Bowden Limited	1	
Trencherwood Homes Limited	1	A	Ward Homes (North Thames) Limited	1	A	Yeovil Developments Limited	1	A
Trencherwood Housing Developments Limited	1	A	Ward Homes (South Eastern) Limited	1	A			
			Ward Homes Group Limited	1	A			
			Ward Homes Limited	1	A			

Subsidiaries of the Group which are management companies limited by guarantee:

Subsidiary	Registered office	Notes	Subsidiary	Registered office	Notes	Subsidiary	Registered office	Notes
28-23 Imperial Park Management Company Limited	26	A, B	Beeston Quarter Apartments (Beeston) Management Company Limited	8	A, B	Bluebell Woods (Wyke) Management Company Limited	10	A, B
Abbey Gate Residents Management Company Limited	5	A, B	Belle Vue (Doncaster) Management Company Limited	6	A, B	Bodington Manor (Adel) Management Company Limited	9	A, B
Abbotts Green (Woolpit) Management Company Limited	14	A, B	Bentley Fields Residents Management Company Limited	23	A, B	Bowds House Management Company Limited	1	A, B
Abbotts Meadow (Steventon) Management Company Limited	12	A, B	Berry Acres (Paignton) Management Company Limited	40	A, B	Broadstone Mead Management Company Ltd	13	A, B
Adderbury Fields Management Company Limited	5	A, B	Biddenham Vale Management Company Limited	54	A, B	Brook Gardens Barnham Management Company Limited	9	A, B
Aldhelm Court Management Company Limited	30	A, B	Bilberry Chase Residents Management Company Limited	5	A, B	Brooklands (Milton Keynes) Management Company Limited	54	A, B
Alexander Gate Management Company Limited	23	A, B	Birds Marsh View Chippenham Apartment Resident Management Company Limited	32	A, B	Bruneval Gardens (Wellesley) Management Company Limited	10	A, B
Amberswood Rise Mangement Company Limited	57	A, B	Bishop Fields (Hereford) Management Company Limited	20	A, B	Bure Meadows (Aylsham) Management Company Limited	10	A, B
Ambler's Meadow (East Ardsley) Management Company Limited	10	A, B	Bishop Park (Henfield) Management Company Limited	17	A, B	Canal Quarter Resident Management Company Limited	16	A, B
Applegarth Manor (Oulton) Management Company Limited	10	A, B	Bishops Green (Wells) Management Company Limited	30	A, B	Cane Hill Park (Coulsdon) Management Company Limited	17	A, B
Autumn Brook (Yate) Management Company Limited	13	A, B	Bishop's Hill Residents Management Company Limited	23	A, B	Cane Hill Park (Gateway) Management Company Limited	17	A, B
Aylesham Village (Barratt) Residents Management Company Limited	49	A, B	Blackberry Park Residents Management Company Limited	13	A, B	Canes Meadow (Brixton) Management Company Limited	40	A, B
B5 Central Residents Management Company Limited	23	A, B	Blackdown Heights (Crimchard) Management Company Limited	31	A, B	Canford Paddock (Poole) Management Company Limited	46	A, B
Baggeridge Village Management Company Limited	5	A, B	Blackhorse View Energy Centre Management Company	1	A, B	Carlton Green (Carlton) Management Company Limited	9	A, B
Barley Fields Management Company Limited	10	A, B	Blackhorse View Residents Management Company	1	A, B	Castle Hill (DWH1) Residents Management Company Limited	8	A, B
Beaufort Park (Wotton Bassett) Management Limited	50	A, B	Blackwater Reach (Southminster) Management Company Limited	52	A, B	Castlegate & Mowbray Park Management Company Limited	6	A, B
Beavans House Management Company Limited	1	A, B	Blossomfields Residents Management Company Limited	5	A, B	Cedar Ridge Management Company Limited	10	A, B



Notes to the Financial Statements CONTINUED

Year ended 30 June 2021

7.4 Group subsidiary undertakings CONTINUED

Subsidiary	Registered office	Notes	Subsidiary	Registered office	Notes	Subsidiary	Registered office	Notes
Central Area Heat Company Limited	12	A, B	Earls Park Management Company Limited	30	A, B	Henbrook Gardens Management Company Limited	20	A, B
Centurion Fields (Adel) Management Company Limited	6	A, B	East Ham Market Energy Centre Management Company	1	A, B	Hendon Waterside Energy Centre Management Company Limited	1	A, B
Chalkers Rise (Peacehaven) Management Company Limited	10	A, B	East Ham Market Residents Management Company	1	A, B	Hendon Waterside Residents Management Company Limited	1	A, B
Chapel Gate (Launceston) Management Company Limited	40	A, B	Eastman Village Energy Centre Management Company Limited	1	A, B	Heron House (Wichelstowe) Management Company Limited	1	A, B
Charfield Gardens Management Company Limited	32	A, B	Eastman Village Residents Management Company Limited	1	A, B	Hesslewood Park Management Company Limited	10	A, B
Cherry Blossom Meadow (Newbury) Management Company Limited	12	A, B	Edwalton (Sharp Hill) Management Company Limited	48	A, B	Hewenden Ridge (Cullingworth) Management Company Limited	9	A, B
City Heights Apartments (Leicester) Management Company Limited	8	A, B	Eldebury Place (Chertsey) Management Company Limited	17	A, B	High Elms Park (Hullbridge) Management Company Limited	47	A, B
Clements Gate (Poringland 2) Management Company Limited	54	A, B	Elderwood (Bannerdale) Management Company Limited	9	A, B	High Street Quarter Energy Centre Management Company Limited	1	A, B
Clipstone Park (Leighton Buzzard) Management Company Limited	54	A, B	Elworthy Place (Wiveliscombe) Management Company Limited	31	A, B	High Street Quarter Residents Management Company Limited	1	A, B
Coat Grove (Martock) Management Company Limited	40	A, B	Embden Grange (Tavistock) Management Company Limited	40	A, B	Highgrove Gardens (Romsey) Management Company Limited	46	A, B
Colliers Court (Speedwell) Management Company Limited	13	A, B	Emmet's Reach (Birkenshaw) Management Company Limited	42	A, B	Hillside Gardens (Orchard RW) Residents Management Company Limited	40	A, B
Compass Point (Swanage) Management Company Limited	46	A, B	Fairfield Croft Management Company Limited	6	A, B	Hollygate Park (Cotgrave) Management Company Limited	16	A, B
Coppice Green Lane Management Company Limited	20	A, B	Fairfield (Stony Stratford) Management Company Limited	54	A, B	Holmesgate Place (Hayes) Management Company Limited	21	A, B
Corinthian Place Management Company Limited	47	A, B	Filwood Park Management Company Limited	13	A, B	Infinity Park Derby Management Limited	1	A, B
Cricket Field Grove (Crowthorne) Management Company Limited	10	A, B	Fradley Manor Management Company Limited	20	A, B	Jenkins House Management Company Limited	1	A, B
Cringleford Heights Management Company Limited	14	A, B	Freemen's Meadow Residents Management Company Limited	26	A, B	Keeper's Meadow Residents Management Company Limited	23	A, B
Croft Gardens (Phase 2) Management Company Limited	12	A, B	Garnett Wharf (Otley) Management Company Limited	9	A, B	Kennett Heath Management Limited	8	A, B
Cygnat Mews (Phase 2) Management Company Limited	54	A, B	Gerway Management Limited	40	A, B	Kilners Grange (Tongham) Management Company Limited	17	A, B
Daracombe Gardens Management Company Limited	33	A, B	Gilden Park (Old Harlow) Residents Management Company Limited	8	A, B	Kingfisher Meadow (Horsford) Management Company Limited	14	A, B
Darwin Green Management Company Limited	54	A, B	Gillies Meadow (Basingstoke) Management Company Limited	12	A, B	Kingfisher Meadows Residents Management Company Limited	23	A, B
De Cheney Gardens Management Company Limited	30	A, B	Glenvale Park Management Company Limited	43	A, B	Kingley Gate (Littlehampton) Management Company Limited	17	A, B
De Havilland Place (Hatfield) Limited	22	A, B	Grange Park (Hampsthwaite) Management Company Limited	10	A, B	Kingsbourne (Nantwich) Community Management Company Limited	8	A, B
De Lacy Fields KM8 Management Company Limited	5	A, B	Great Denham Park (Phase 11) Management Company Limited	54	A, B	Kingsbrook Estate Management Company Limited	16	A, B
De Lacy Fields KM12 Management Company Limited	5	A, B	Greenkeepers Mews (Phase 3) Management Company Limited	54	A, B	Kings Chase Residents Management Company Limited	25	A, B
Deddington Grange Management Company Limited	5	A, B	H2363 Limited	50	A, B	Kingsdown Gate (Swindon) Management Company Limited	13	A, B
Delamere Park (Nunney) Management Company Limited	50	A, B	Hallam Park Residents Management Company Limited	23	A, B	Kingsley Meadows (Harrogate) Management Company Limited	6	A, B
Dickens Gate (Staplehurst) Management Company Limited	8	A, B	Hampton Water Management Company Limited	15	A, B	Kings Lodge (Hatfield) Management Company Limited	25	A, B
Dida Gardens (Didcot) Management Company Limited	12	A, B	Hartley Brook (Netherton) Management Company Limited	9	A, B	Kipling Road (Ledbury) Residents Management Company Limited	20	A, B
Doseley Park Residents Management Company Limited	5	A, B	Haskins House Management Company Limited	1	A, B	Knights Park (Watton) Management Company Limited	54	A, B
Drayton Meadows Management Company Limited	23	A, B	Hawley Gardens Management Company Limited	36	A, B	Knights Rise (Temple Cloud) Management Company Limited	30	A, B
Drovers Court (Micklefield) Management Company Limited	9	A, B	Hayes Village Energy Centre Management Company Limited	1	A, B	KW (Site B) Management Company Limited	12	A, B
Dunmore Road (Abingdon) Management Company Limited	12	A, B	Hayes Village Resident Management Company Limited	1	A, B	Ladden Garden Village Apartment Blocks BCD Management Company Limited	30	A, B
Dunstall Park (Tamworth) Residents Management Company Limited	20	A, B	Heather Croft (Pickering) Management Company Limited	9	A, B	Ladden Garden Village Management Company Limited	30	A, B
			Heathwood Park (Lindfield) Management Company Limited	17	A, B			
			Helme Ridge (Meltham) Management Company Limited	28	A, B			

7.4 Group subsidiary undertakings CONTINUED

Subsidiary	Registered office	Notes	Subsidiary	Registered office	Notes	Subsidiary	Registered office	Notes
Ladywell Park Management Company Limited	54	A, B	Minerva (Apartments) Management Company Limited	40	A, B	Park Farm (Thornbury) Community Interest Company	30	A, B
Lakeside Walk (Hamworthy) Management Company Limited	35	A, B	Monarchs Keep (Bursledon) Management Company Limited	46	A, B	Patch Meadows (Somerton) Management Company Limited	30	A, B
Lancaster Gardens Management Company Limited	6	A, B	Montague Park (Buckhurst Farm) Management Company Limited	12	A, B	Pavilion Square (Phase 2) Management Company Limited	6	A, B
Landmark Square Wokingham Management Limited	12	A, B	Montague Park No2 (Buckhurst Farm) Management Company Limited	12	A, B	Pavilion Square (Pocklington) Management Company Limited	6	A, B
Langham Mews Management Company Limited	44	A, B	Moorland Gate (Bishops Lydeard) Management Company Limited	50	A, B	Peasedown Meadows Management Company Limited	30	A, B
Lavender Grange (Stondon) Resident Management Company Limited	54	A, B	Mortimer Park (Driffield) Management Company Limited	9	A, B	Pembridge Park (Phase 2) Management Company Limited	26	A, B
Lavendon Fields (Olney) Residents Management Company Limited	57	A, B	Morton Meadows (Thornbury) Management Company Limited	50	A, B	Pembroke Park (Cirencester) Management Company Limited	30	A, B
Lay Wood (Devizes) Management Company Limited	13	A, B	Mulberry Park (Poringland) Management Company Limited	10	A, B	Penndrumm (Looe) Management Company Limited	40	A, B
Letcombe Gardens (Grove) Management Company Limited	41	A, B	N.E. Horley Resident Management Company Limited	25	A, B	Perry Court (Faversham) Management Company Limited	54	A, B
Linmere (Houghton Regis) residents Managemet Company Limited	15	A, B	Nant Y Castell (Caldicot) Management Company Limited	33	A, B	Phase 3 Clark Drive LGV Management Company Limited	32	A, B
Lock Keeper's Gate (Low Barugh) Management Company Limited	10	A, B	Needham's Grange Residents Management Company Limited	20	A, B	Phase 3 Clark Drive 2 LGV Management Company Limited	32	A, B
Locksbridge Park (Andover) Management Company Limited	12	A, B	Needingworth Park Residents Management Company Limited	56	A, B	Phoenix And Scorseby Park Management Company Limited	6	A, B
Lordswood Gardens Residents Management Company Limited	5	A, B	Newbery Corner Management Company Ltd	13	A, B	Phoenix Quarter – Apt – Management Company Limited	49	A, B
Lucerne Fields (Ivybridge) Management Company Limited	40	A, B	New Heritage (Bordon) Management Company Limited	46	A, B	Phoenix Quarter Estate Management Company Limited	49	A, B
Luneside Mills Management Company Limited	8	A, B	New Mill Quarter (BL) Residents Management Company Limited	8	A, B	Pinewood Park (Formby) Management Company Limited	57	A, B
Lyde View Residents Management Company Limited	32	A, B	New Mill Quarter Estate Resident Management Company Limited	8	A, B	Pinn Brook Park (Monkerton) Management Company Limited	40	A, B
Madden Gardens Residents Management Company Limited	11	A, B	Nerrols Grange (Taunton) Management Company Limited	13	A, B	PL2 Plymouth (2016) Limited	40	A, B
Madgwick Park Management Company Limited	46	A, B	Northfield Park (Patchway) Management Company Limited	32	A, B	Poppy Fields (Cottingham) Management Company Limited	6	A, B
Marham Park Management Company Limited	18	A, B	Northstowe Residents Management Company Limited	54	A, B	Portman Square West Village Reading Management Company Limited	12	A, B
Marlborough Grove Estate Management Company Limited	16	A, B	Northwalls Grange (Taunton) Management Company Limited	30	A, B	Preston Grange Residents Management Company Limited	3	A, B
Marston Park (Marston Moretaine) Management Company Limited	54	A, B	Norton Farm Management Company Limited	20	A, B	Priestley House Management Company Limited	54	A, B
Martello Lakes (Barratt) Resident Management Company Limited	8	A, B	Notton Wood View (Royston) Management Company Limited	42	A, B	Priory Fields (Pontefract) Management Company Limited	10	A, B
Martingale Chase (Newbury) Management Company Limited	8	A, B	Oak Hill Mews Management Company Limited	20	A, B	Prospect Rise (Whitby) Management Company Limited	6	A, B
Meadowburne Place (Willingdon) Management Company Limited	54	A, B	Oakfield Village Estate Management Company Limited	16	A, B	Quarter Jack Park (Wimborne) Management Company Limited	46	A, B
Meadowfields (Boroughbridge) Management Company Limited	9	A, B	Oakhill Gardens (Swanmore) Management Company Limited	7	A, B	Raleigh Holt (Barnstaple) Management Company Limited	40	A, B
Meadow View Watchfield Management Company Limited	13	A, B	Oaklands (Pontefract) Management Company Limited	9	A, B	Ramsey Park Residents Management Company Limited	56	A, B
Merlin Gate (Newent) Management Company Limited	50	A, B	Oatley Park Management Company Limited	50	A, B	Ravenhill Park Management Company Limited	20	A, B
Midshires Meadow Management Company Limited	39	A, B	Orchard Gate (Kingston Bagpuize) Management Company Limited	12	A, B	Redhayes Management Company Limited	40	A, B
Mill Brook (Westbury) Management Company Limited	50	A, B	Orchard Green Estate Management Company Limited	16	A, B	Redlodge (Suffolk) Management Company Limited	14	A, B
Millbrook Park (Phase 9) Energy Centre Management Company Limited	1	A, B	Orchard Meadows (Appleton) Management Company Limited	45	A, B	Redwood Heights (Plymouth) Management Company Limited	40	A, B
Millbrook Park (Phase 9) Residents' Management Company Limited	1	A, B	Oughtibridge Valley (Oughtibridge) Management Company Limited	9	A, B	Richmond Park (Whitfield) Residents Management Company Limited	8	A, B
Mill Springs (Whitchurch) Management Company Limited	34	A, B	Overstone Gate Residents Management Company Limited	56	A, B	Ridgeway Residential Management Company Limited	11	A, B

Notes to the Financial Statements CONTINUED

Year ended 30 June 2021

7.4 Group subsidiary undertakings CONTINUED

Subsidiary	Registered office	Notes	Subsidiary	Registered office	Notes	Subsidiary	Registered office	Notes
River Meadow (Stanford in the Vale) Management Company Limited	12	A, B	Stansted Road (Kingswood Place Elsenham) Management Company Limited	18	A, B	Upton Gardens Residents Management Company	1	A, B
River Whitewater Management Company (Hook) Limited	10	A, B	Stotfold Park Management Company Limited	10	A, B	Victoria Heights (Alphington) Management Company Limited	40	A, B
Riverdown Park (Salisbury) Management Company Limited	54	A, B	Summersfield (Papworth) Management Company Limited	54	A, B	Waite House Management Company Limited	1	A, B
Riverside Grange (Farmbridge) Management Company Limited	9	A, B	Swallows Field (Hemel Hempstead) Management Company Ltd	22	A, B	Waldmers Wood Management Company Limited	57	A, B
Romans Edge Godmanchester Management Company Limited	54	A, B	Swan Mill (Newbury) Management Company Limited	12	A, B	Walton Gate (Felixstowe) Management Company Limited	14	A, B
Romans' Quarter (Bingham) Residential Management Company Limited	55	A, B	Swinbrook Park (Carterton) Management Company Limited	12	A, B	Warboys Management Company Limited	38	A, B
Ronkswood Residents Management Company Limited	20	A, B	Tarka Ridge (Yelland) Management Company Limited	40	A, B	Warren Grove (Storrington) Management Company Limited	49	A, B
Rosewood Park Bexhill Residents Management Company Limited	8	A, B	Templar's Chase (Wetherby) Management Company Limited	9	A, B	Waters Edge (Mossley) Management Company Limited	8	A, B
Rosewood Park LH Residents Management Company Limited	8	A, B	The Acorns and Hunters Wood Management Company Limited	54	A, B	Waterside (The Quays Barry) Management Company Number 1 Limited	29	A, B
RV North Petherton Residents Management Company Limited	32	A, B	The Belt Open Space Management Co Limited	6	A, B	Waterside (The Quays Barry) Management Company Number 2 Limited	29	A, B
Salters Brook (Cudworth) Management Company Limited	42	A, B	The Bridleways (Eccleshill) Management Company Limited	28	A, B	Waterside (The Quays Barry) Management Company Number 3 Limited	29	A, B
Sandbrook Park Management Company Limited	16	A, B	The Causeway Park (Petersfield) Management Company Limited	34	A, B	Watkin Road Energy Centre Management Company	1	A, B
Sandridge Place (Melksham) Management Company Limited	10	A, B	The Chase (Newbury) Management Company Limited	12	A, B	Watkin Road Residents Management Company	1	A, B
Saunderson Gardens Management Co Limited	10	A, B	The Chocolate Works Management Company Limited	37	A, B	Wayland Fields Residents managemet Company Limited	14	A, B
Sawbridge Park (Sawbridgeworth) Management Company Limited	16	A, B	The Courtyard (Darwin Green) Management Company Limited	16	A, B	WBD (Kingsway Management) Limited	1	A, B
Saxon Corner (Emsworth) Management Company Limited	46	A, B	The Furlongs (Westergate) Management Company Limited	46	A, B	Weavers Chase (Golcar) Management Company Limited	9	A, B
Saxon Dean (Silsden) Management Company Limited	10	A, B	The Glassworks (Catcliffe) Management Company Limited	10	A, B	Webheath (Redditch) Management Company Limited	33	A, B
Saxon Fields (Cullompton) Management Company Limited	40	A, B	The Grange (Lightcliffe) Management Company Limited	10	A, B	Wedgwood Residents Management Company Limited	5	A, B
Saxon Gate (Leonard Stanley) Management Company Limited	10	A, B	The Hedgerows (Thurcroft) Management Company Limited	9	A, B	Westbridge Park (Auckley) Management Company Limited	26	A, B
Saxon Gate (Stamford Bridge) Management Company Limited	6	A, B	The Meads (Frampton Cotterell) Management Company Limited	13	A, B	Weston Meadows, Calne Management Company Limited	50	A, B
Saxon Mills (Hassocks) Management Company Limited	17	A, B	The Mounts Residents Management Company Limited	5	A, B	Whalley Road (Barrow) Management Company Limited	8	A, B
Silkwood Gate (Wakefield) Management Company Limited	9	A, B	The Old Meadow Management Company Limited	41	A, B	Wichelstowe Estate Management CIC	1	A, B
Spinney Fields Residents Management Company Limited	5	A, B	The Paddocks (Skelmanthorpe) Management Company Limited	10	A, B	Willow Grove (Stopsley) Management Company Limited	8	A, B
Spring Valley View (Clayton) Management Company Limited	10	A, B	The Paddocks (Southmoor) Management Company Limited	12	A, B	Willow Grove (Wixams) Management Company Limited	54	A, B
Springfield Place Resident Management Company Limited	4	A, B	The Pastures (Knaresborough) Management Company Limited	6	A, B	Willow Lane (Beverley) Management Company Limited	6	A, B
St Andrews View (Morley) Management Co. Limited	42	A, B	The Pavilions Management Company (Southampton) Limited	46	A, B	Willowmead (Wiveliscombe) Management Company Limited	50	A, B
St James Gardens (Wick) Management Company Limited	29	A, B	The Pavilions Resident Management Company Limited	23	A, B	Winnington Village Community Management Company Limited	26	A, B
St James Management Company Limited	9	A, B	The Spires (Chesterfield) Management Company Limited	26	A, B	Withies Bridge Management Company Ltd	30	A, B
St Laurence Meadows Management Company Limited	20	A, B	The Spires (St Ives) Management Company Limited	54	A, B	Woodhall Grange Management Company Limited	6	A, B
St Rumbolds Fields Management Company Limited	16	A, B	The Vineyards Management Company Limited	30	A, B	Woodland Heath Residential Management Company Limited	14	A, B
St Wilfrids Walk Management Company Limited	6	A, B	Tranby Fields Management Company Limited	10	A, B	Wychwood Park (Haywards Heath) Management Company Limited	17	A, B
St. Andrews Place (Morley) Management Co. Limited	42	A, B	Trumpington (Phase 8 – 11) Management Company Limited	10	A, B			
St. John's Walk (Hoylandswaine) Management Company Limited	28	A, B	Trumpington Vista Management Company Limited	16	A, B			
St. Mary's Park (Hartley Wintney) Management Company Limited	25	A, B	Union Park (Falmouth) Management Company Limited	40	A, B			
St. Oswald's View (Methley) Management Company Limited	9	A, B	Upton Gardens Energy Centre Management Company	1	A, B			

7.4 Group subsidiary undertakings CONTINUED

Other subsidiary entities:

Subsidiary	Registered office	Notes	Class of share held	% of shares owned	Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Base East Central Rochdale LLP	1	A	N/A	N/A	Newbury Racecourse Management Limited	19	A, D	Ordinary	0%
Base Hattersley LLP	1	A	N/A	N/A	Nexus Point Management Company Limited	1	A, C	Ordinary	0%
Base Regeneration LLP	1	A	N/A	N/A	Nottingham Business Park Management Company Limited	1	A, C	Ordinary	2%
Base Werneth Oldham LLP	1	A	N/A	N/A	Nottingham Business Park (Orchard Place) Management Company Limited	1	A, C	Ordinary	2%
BLLQ LLP	1	A	N/A	N/A	Optimus Point Management Company Limited	1	A, C	Ordinary	0%
BLLQ2 LLP	1	A	N/A	N/A	Pye Green Management Company Limited	20	A, C	Ordinary	17%
SQ Holdings Limited	53	A	Ordinary	90%	Riverside Exchange Management Company Limited	1	A, C	Ordinary/Preference	22%
Vizion (MK) Properties LLP	1	A	N/A	N/A	Romulus Management Company Limited	1	A, D	Ordinary	4%
Ash Tree Court Management Co. Ltd	1	A, D	Ordinary	0%	Runshaw Management Company Limited	8	A	Ordinary	100%
Aspects Management Company Limited	27	A	Ordinary	50%	Springfield Village Estate Limited	16	A, C	Ordinary	16%
Broomhill Park Estates Residents Association Limited	1	A	Ordinary	87%	Stoneyfield Management Limited	1	A	Ordinary	100%
Buckshaw Village Management Company Limited	8	A	Ordinary	50%	WBD Blenheim Management Company Limited	1	A, C	Ordinary	2%
Foxcote Mead Management Company Limited	1	A	Ordinary	100%	West Village Reading Management Limited	12	A, D	Ordinary	0%
GWQ Management Limited	24	A, C	Ordinary	0%	Willow Farm Management Company Limited	1	A, C	Ordinary	2%
Hazelmere Management Company Limited	1	A, D	Ordinary	0%					
Interlink Park Management Company Limited	1	A, D	Ordinary	0%					
Meridian Business Park Extension Management Company Limited	1	A, C	Ordinary	2%					

7.4 Group subsidiary undertakings CONTINUED

Registered Office		
1. Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	20. 60 Whitehall Road, Halesowen, B63 3JS	41. Unit 7, Astra Centre, Edinburgh Way, Harlow, Essex, England, CM20 2BN
2. 7 Buchanan Gate, Cumbernauld Road, Stepps, Glasgow, G33 6FB	21. The Dutch Barn Manor Farm Courtyard, Manor Road, Rowsham, HP22 4QP	42. Freemont Property Managers Ltd, 3 The Old School, The Square, Pennington, Lymington, Hampshire, SO41 8GN
3. 111 West Street, Faversham, Kent. ME13 7JB	22. Wellstones House, Wellstones, Watford, Hertfordshire, WD17 2AF	43. Barratt House, Sandy Way, Grange Park, Northampton NN4 5EJ
4. Barratt East London, 3rd Floor Press Centre, Here East, 13 East Bay Lane, Stratford, London E15 2GW	23. Remus 2, 2 Cranbook Way, Solihull Business Park, Solihull, West Midlands, B90 4GT	44. Unit 7, Hockliffe Business Park, Watling Street, Hockliffe, Leighton Buzzard, Bedfordshire, LU7 9NB
5. One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ	24. Wallis House, Great West Road, Brentford, Middlesex, TW8 9BS	45. 377-379 Hoylake Road, Moreton, Wirral, Merseyside, CH46 0RW
6. Unit 11, Omega Business Park, Omega Business Village, Thurston Road, Northallerton, North Yorkshire, DL6 2NJ	25. Firstport Property Services Limited, Marlborough House, Wigmore Place, Wigmore Lane, Luton, LU2 9EX	46. 128 Pyle Street, Granary Court, Newport, Isle of Wight, PO30 1JW
7. Tollbar House, Tollbar Way, Hedge End, Southampton, Hampshire, SO30 2UH	26. Chiltern House, 72-74 King Edward Street, Macclesfield, Cheshire, SK10 1AT	47. Woodland Place Wickford Business Park, Hurricane Way, Wickford, SS11 8YB
8. RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR	27. 100 Avebury Boulevard, Milton Keynes, England, MK9 1FH	48. 154-155 Great Charles Street, Queensway, Birmingham, B3 3LP
9. Gateway House, 10 Coopers Way, Southend-on-Sea, Essex, SS2 5TE	28. Raynham House, 2 Capitol Close, Morley, Leeds, West Yorkshire, LS27 0WH	49. Thamesbourne Lodge, Station Road, Bourne End, Buckinghamshire, SL8 5QH
10. Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN	29. Oak House, Village Way, Cardiff, CF15 7NE	50. 1 West Point Court, Great Park Road, Bradley Stoke, Bristol, BS32 4PY
11. 167 Turners Hill, Cheshunt, Waltham Cross, Hertfordshire, EN8 9BH	30. Unit 2 Beech Court, Wokingham Road, Hurst, Twyford, Berkshire, RG10 0RQ	51. Blairton House Old Aberdeen Road, Balmedie, Aberdeen, Scotland, AB23 8SH
12. Norgate House, Tealgate, Charnham Park, Hungerford, Berkshire, RG17 0YT	31. Vanguard House, Yeoford Way, Marsh Barton, Exeter EX2 8HL	52. C/O East Block Group, The Colchester Centre, Hawkins Road, Colchester, Essex, CO2 8JX
13. Units 1, 2 & 3 Beech Court, Wokingham Road, Hurst, Reading, RG10 0RU	32. Barratt House, 710 Waterside Drive, Aztec West, Almondsbury, Bristol, BS32 4UD	53. Cashs Business Centre, Widdrington Road, Coventry, CV1 4PB
14. Barratt House, 7 Springfield Lyons Approach, Chelmsford, Essex, CM2 5EY	33. Whittington Hall, Whittington Road, Worcester, WR5 2ZX	54. Queensway House, 11 Queensway, New Milton, Hampshire, BH25 5NR
15. The Maltings, Hyde Hall Farm, Sandon, Hertfordshire, SG9 0RU	34. Building 4, Dares Farm Business Park, Farnham Road, Ewshot, Farnham, Surrey, GU10 5BB	55. Bingham Industrial Estate, Moorbridge Road, Bingham, Nottingham, United Kingdom, NG13 8GG
16. 2 Hills Road, Cambridge, Cambridgeshire, CB2 1JP	35. Ground Floor, Cromwell House, 15 Andover Road, Winchester, Hampshire, SO23 7BT	56. 1a Fortune Close, Riverside Business Park, Northampton, NN3 9HT
17. Barratt House, Walnut Tree Close, Guildford, Surrey, GU1 4SW	36. 4 Brindley Road, City Park, Manchester, M16 9HQ	57. Unit 7, Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
18. Fisher House, 84 Fisherton Street, Salisbury, SP2 7QY	37. Watson, Glendevon House, 4 Hawthorn Park, Coal Road, Leeds, West Yorkshire, LS14 1PQ	58. Telford House, 3 Mid New Cultins, Edinburgh, Midlothian, EH11 4DH
19. Newbury Racecourse Plc, The Racecourse, Newbury, Berkshire, RG14 7NZ	38. Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, United Kingdom, NG1 6HH	
	39. Whitehead Restoration Site, Lower Green Lane, Astley, Manchester, M29 7JZ	
	40. Woodwater House, Pynes Hill, Exeter, Devon, EX2 5WR	

Notes

- A Owned through another Group company.
- B Entity is limited by guarantee and is a temporary member of the Group. Assets are not held for the benefit of the Group and the entity has no profit or loss in the year.
- C The Group is a minority shareholder but has voting control.
- D The Group does not own any shares but has control via directors who are employees of the Group.

Greenhouse Gas Emissions Restatement

The Group seeks to provide comprehensive and useful reporting of emissions to the readers of its Annual Report and Accounts, and to evolve its reporting practices as necessary. The Group’s approach was reviewed during the year and the comparative year and base year were restated for the following:

1 Adoption of operational control

Previously, the Group has reported its emissions under financial control, whereby emissions from subsidiaries were reported in full and emissions from joint operations were stated at the Group’s share of profits.

From FY21, to better represent the emissions that are a consequence of the Group direct operations, the Group is reporting its emissions under operational control. Emissions from company cars have been reclassified to scope 1, and emissions and completed floor area from joint operations are now recognised in full on sites on which we act as principal contractor.

2 Removal of customer gas usage in sold homes

The Group has a small number of large sites on which shared energy solutions are employed. On some of these sites, the reported figures in prior years included customer consumption that was recharged to the energy provider. The Group is restating its natural gas emissions in prior years to show the net emissions, i.e. only those not ultimately controlled by (or recharged to) our customers.

The effect of these changes on the total greenhouse gas emissions for the comparative years was as follows:

			2020 (as published)	Removal of customer gas usage in sold homes	Adoption of operational control	2020 (restated)
Greenhouse gas emissions (2020)						
Scope 1		tCO <sub>2</sub> e	18,374	(143)	2,092	20,323
Scope 2	Location based	tCO <sub>2</sub> e	4,700	(491)	51	4,260
	Market based	tCO <sub>2</sub> e	2,089	(491)	42	1,640
Total gross scope 1 & scope 2 emissions	Location based	tCO <sub>2</sub> e	23,074	(634)	2,143	24,583
	Market based	tCO <sub>2</sub> e	20,463	(634)	2,134	21,963
Scope 1 and 2 energy consumption		MWh	97,686	(3,566)	8,846	102,966
Carbon intensity (scope 1 and 2 emissions per 100m <sup>2</sup> of legally completed build area)	Location based	tCO <sub>2</sub> e/100m <sup>2</sup>	1.92	(0.05)	0.15	2.02
	Market based	tCO <sub>2</sub> e/100m <sup>2</sup>	1.70	(0.05)	0.15	1.80
Category 1: Purchased goods & services		tCO <sub>2</sub> e	2,020,341	–	–	2,020,341
Category 11: Use of sold products		tCO <sub>2</sub> e	930,797	–	–	930,797
Other scope 3 emissions		tCO <sub>2</sub> e	179,579	(118)	(1,542)	177,919
Total gross scope 3 emissions		tCO <sub>2</sub> e	3,130,717	(118)	(1,542)	3,129,057
Total gross scope 1, 2 & 3 emissions	Location based	tCO <sub>2</sub> e	3,153,791	(752)	601	3,153,640
	Market based	tCO <sub>2</sub> e	3,151,180	(752)	592	3,151,020
			2019 (as published)	Removal of customer gas usage in sold homes	Adoption of operational control	2019 (restated)
Greenhouse gas emissions (2019)						
Scope 1		tCO <sub>2</sub> e	24,832	(186)	2,523	27,169
Scope 2	Location based	tCO <sub>2</sub> e	5,016	–	146	5,162
	Market based	tCO <sub>2</sub> e	3,411	–	2	3,413
Total gross scope 1 & scope 2 emissions	Location based	tCO <sub>2</sub> e	29,848	(186)	2,669	32,331
	Market based	tCO <sub>2</sub> e	28,243	(186)	2,525	30,582
Scope 1 and 2 energy consumption		MWh	117,551	(1,010)	10,893	127,434
Carbon intensity (scope 1 and 2 emissions per 100m <sup>2</sup> of legally completed build area)	Location based	tCO <sub>2</sub> e/100m <sup>2</sup>	1.75	(0.01)	0.15	1.89
	Market based	tCO <sub>2</sub> e/100m <sup>2</sup>	1.66	(0.01)	0.13	1.78
Category 1: Purchased goods & services		tCO <sub>2</sub> e	2,305,017	–	–	2,305,017
Category 11: Use of sold products		tCO <sub>2</sub> e	1,311,087	–	–	1,311,087
Other scope 3 emissions		tCO <sub>2</sub> e	219,621	(26)	(1,688)	217,907
Total gross scope 3 emissions		tCO <sub>2</sub> e	3,835,725	(26)	(1,688)	3,834,011
Total gross scope 1, 2 & 3 emissions	Location based	tCO <sub>2</sub> e	3,865,573	(212)	981	3,866,342
	Market based	tCO <sub>2</sub> e	3,863,968	(212)	837	3,864,593



# Greenhouse Gas Emissions Restatement CONTINUED

			2018 (as published)	Removal of customer gas usage in sold homes	Adoption of operational control	2018 (restated)
<b>Greenhouse gas emissions (2018)</b>						
Scope 1		tCO <sub>2</sub> e	24,966	(9)	2,620	27,577
Scope 2	Location based	tCO <sub>2</sub> e	6,594	–	122	6,716
	Market based	tCO <sub>2</sub> e	4,992	–	88	5,080
Total gross scope 1 & scope 2 emissions	Location based	tCO <sub>2</sub> e	31,560	(9)	2,742	34,293
	Market based	tCO <sub>2</sub> e	29,958	(9)	2,708	32,657
Scope 1 and 2 energy consumption		MWh	116,998	(50)	10,548	127,496
Carbon intensity (scope 1 and 2 emissions per 100m <sup>2</sup> of legally completed build area)	Location based	tCO <sub>2</sub> e/100m <sup>2</sup>	1.82	–	0.17	1.99
	Market based	tCO <sub>2</sub> e/100m <sup>2</sup>	1.73	–	0.17	1.90
Category 1: Purchased goods & services		tCO <sub>2</sub> e	2,421,559	–	–	2,421,559
Category 11: Use of sold products		tCO <sub>2</sub> e	1,273,346	–	–	1,273,346
Other scope 3 emissions		tCO <sub>2</sub> e	162,523	(1)	(1,737)	160,785
Total gross scope 3 emissions		tCO <sub>2</sub> e	3,857,428	(1)	(1,737)	3,855,690
Total gross scope 1, 2 & 3 emissions	Location based	tCO <sub>2</sub> e	3,888,988	(10)	1,005	3,889,983
	Market based	tCO <sub>2</sub> e	3,887,386	(10)	971	3,888,347

# Five year record (unaudited)

Financial 5 year record	2017	2018	2019	2020	2021
Private wholly owned home completions	13,303	13,439	13,533	9,568	13,134
Affordable wholly owned home completions	3,342	3,241	3,578	2,466	3,383
Wholly owned completions (homes)	16,645	16,680	17,111	12,034	16,517
Joint venture completions (homes)	750	899	745	570	726
Total home completions including JVs	17,395	17,579	17,856	12,604	17,243
Wholly owned completions average selling price (£'000)	275.2	288.9	274.4	280.3	288.8
Revenue (£m)	4,650.2	4,874.8	4,763.1	3,419.2	4,811.7
Gross profit (£m)	932.0	1,008.9	1,084.2	614.3	1,010.0
Gross profit margin (%)	20.0%	20.7%	22.8%	18.0%	21.0%
Adjusted gross profit (£m)	940.8	1,015.9	1,087.4	631.4	1,114.7
Adjusted gross profit margin (%)	20.2%	20.8%	22.8%	18.5%	23.2%
Profit from operations (£m)	799.2	862.6	901.1	493.4	811.1
Operating profit margin (%)	17.2%	17.7%	18.9%	14.4%	16.9%
Adjusted profit from operations (£m)	808.0	869.6	904.3	507.3	919.0
Adjusted operating margin (%)	17.4%	17.8%	19.0%	14.8%	19.1%
Net finance costs (£m)	(59.7)	(45.1)	(28.8)	(29.9)	(26.6)
Share of post-tax income from joint ventures	25.4	18.6	39.2	28.3	27.7
Profit before tax	765.1	835.5	909.8	491.8	812.2
Adjusted profit before tax	773.9	842.5	920.0	505.7	919.7
Basic earnings per share (pence)	61.3	66.5	73.2	39.4	64.9
Adjusted earnings per share (pence)	62.0	67.0	74.1	40.5	73.5
Dividend (interim paid and final proposed) (pence)	24.4	26.5	29.1	–	29.4
Special cash payment proposed per share (pence)	17.3	17.3	17.3	–	–
Total shareholder return (TSR) over three financial years (%)	81.3%	15.6%	36.8%	6.1%	59.8%
Tangible shareholders funds (£m)	3,420.9	3,698.0	3,953.9	3,931.9	4,545.1
Tangible net assets per share at year end (pence)	339.4	365.2	388.8	386.1	446.3
Total shareholders funds (£m)	4,322.2	4,597.7	4,869.0	4,840.3	5,452.1
Total net assets per share at year end (pence)	428.8	454.0	478.8	475.3	535.4
Year end net (debt) / cash (£m)	723.7	791.3	765.7	308.2	1,317.4
Year end total land payables (£m)	1,064.0	996.7	960.7	791.9	658.3
Year end total net (indebtedness) / surplus (£m)	(340.3)	(205.4)	(195.0)	(483.7)	659.1
Average net cash across the financial year (£m)	46.1	127.4	298.3	348.3	821.0
Three point average capital employed (£m)	2,793.5	3,000.3	3,180.2	3,443.8	3,355.3
Return on capital employed (ROCE) (%)	29.8%	29.6%	29.7%	15.6%	28.3%
Total land investment (£m)	2,895.6	2,963.4	3,071.6	3,112.3	2,946.3
Proportion of total land investment funded by land creditors (%)	36.7%	33.6%	31.3%	25.4%	22.3%
Weighted average shares in issue during the year (m)	1,006.0	1,011.7	1,014.2	1,018.2	1,018.3
Weighted average shares in issue during the year less EBT (m)	1,004.3	1,010.7	1,010.4	1,013.9	1,016.4
Number of ordinary shares in issue at year end (m)	1,007.9	1,012.7	1,017.0	1,018.3	1,018.3

Non financial 5 year record	2017	2018	2019	2020	2021
SHE audit compliance	96%	96%	96%	96%	97%
Injury Incidence Rate	379	462	297	256	416
Average training days per employee (days / employee)	4.5	4.0	4.7	4.1	3.9
Employee turnover (%)	18%	17%	16%	10%	12%
Employee engagement index (%)	78.0%	79.0%	84.5%	84.2%	*
Number of employees at 30 June	6,193	6,330	6,504	6,655	6,329
Proportion female (%)	31%	31%	31%	31%	31%
Graduates, apprentices and trainees on programmes	428	429	470	492	426
Number of senior managers	281	287	290	286	283
Proportion female (%)	13%	13%	15%	14%	16%
Number of PLC directors	8	9	8	8	9
Proportion female (%)	38%	44%	38%	38%	44%
Carbon intensity (tonnes per 100m² build)	2.03	1.90	1.78	1.80	1.78
Waste intensity (tonnes per 100m² build)	6.18	6.06	6.53	7.70	5.89
Diversion of construction waste from landfill (%)	95%	97%	97%	96%	95%
Scope 2 electricity on renewable tariffs (%)	0.0%	0.0%	46.0%	68.0%	72.0%
Average active sales outlets (inc. JVs)	377	380	379	366	343
Customer service (HBF Customer Satisfaction Survey)	5 star	5 star	5 star	5 star	5 star
NHBC Pride in the Job Awards (number awarded)	74	83	84	92	93
Owned and unconditional land bank (plots)	58,965	61,504	66,423	68,393	66,601
Conditional land bank (plots)	16,078	17,928	13,599	11,931	11,041
Owned and controlled land bank (plots)	75,043	79,432	80,022	80,324	77,642
JV owned and controlled land bank (plots)	5,709	5,137	5,207	5,400	4,661
Total owned and controlled land bank including JVs (plots)	80,752	84,569	85,229	85,724	82,303
Land bank years owned (years)	3.5	3.7	3.9	5.7	4.0
Land bank years controlled (years)	1.0	1.1	0.8	1.0	0.7
Land bank total years (owned and controlled) (years)	4.5	4.8	4.7	6.7	4.7
Average selling price of homes in land bank at year end (€'000)	265	270	275	276	289
Land approvals (plots)	18,497	20,951	18,448	9,441	18,067
Land approvals (€m)	957.2	933.9	859.8	368.1	876.8
Planning consents secured in the year (plots)	19,861	16,997	18,280	14,768	14,280
Strategic land plots converted to owned and controlled land bank (plots)	6,757	2,788	7,915	3,137	3,507
Strategic land bank (acres)	11,737	12,435	11,995	13,271	13,754
Expenditure on physical improvement works benefitting local communities (€m)	**	437	506	477	572
School places provided (number)	3,087	1,839	3,894	2,211	3,591
Homes completions from strategically sourced land (homes)	4,131	4,413	4,374	2,929	4,172
Proportion of home completions from strategically sourced land (%)	24.8%	26.5%	25.6%	24.3%	25.3%
Home completions using MMC (homes)	2,957	3,252	3,609	2,652	4,393
Proportion of home completions using MMC (%)	17.0%	18.5%	20.2%	21.0%	25.5%
Proportion of home completions using 2016 and later house type range (%)	0.5%	9.4%	36.4%	60.2%	65.3%
Proportion of home completions EPC rated "B" or above (%)	**	97%	99%	99%	99%
Average SAP rating of home completions	84	84	84	84	85

Note: additional granularity and more detailed sustainability metrics are available on our website at: <https://www.barrattdevelopments.co.uk/sustainability/performance-data/data>

\* Employee engagement survey being carried out in October 2021  
\*\* Data was not collected at the time

## Definitions of alternative performance measures and reconciliation to IFRS (unaudited)

The Group uses a number of APMs which are not defined within IFRS. The Directors use these APMs, along with IFRS measures, to assess the operational performance of the Group as detailed in the Key performance indicators section of the Strategic Report on pages 41 to 43. These APMs may not be directly comparable with similarly titled measures reported by other companies and they are not intended to be a substitute for, or superior to, IFRS measures. Definitions and reconciliations of the financial APMs used to IFRS measures, are included below:

**Gross margin** is defined as gross profit divided by revenue:

	2021	2020
Revenue per Consolidated Income Statement (€m)	4,811.7	3,419.2
Gross profit per Consolidated Income Statement (€m)	1,010.0	614.3
Gross margin	21.0%	18.0%

**Adjusted gross margin** is defined as adjusted gross profit divided by revenue:

	2021	2020
Revenue per Consolidated Income Statement (€m)	4,811.7	3,419.2
Adjusted gross profit per Consolidated Income Statement (€m)	1,114.7	631.4
Adjusted gross margin	23.2%	18.5%

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

	2021	2020
Revenue per Consolidated Income Statement (€m)	4,811.7	3,419.2
Profit from operations per Consolidated Income Statement (€m)	811.1	493.4
Operating margin	16.9%	14.4%

**Adjusted operating margin** is defined as adjusted profit from operations divided by revenue:

	2021	2020
Revenue per Consolidated Income Statement (€m)	4,811.7	3,419.2
Adjusted profit from operations per Consolidated Income Statement (€m)	919.0	507.3
Adjusted operating margin	19.1%	14.8%

**Adjusted earnings** for **adjusted basic earnings per share** and **adjusted diluted earnings per share** are calculated by excluding adjusted items and any associated net tax amounts from profit attributable to ordinary shareholders of the Company:

	2021 €m	2020 €m
Profit attributable to ordinary shareholders of the Company	659.8	399.7
Government grants repaid/(receivable) per note 2.3	26.0	(26.0)
Costs associated with legacy properties per note 2.2	81.9	39.9
Net credit associated with JV legacy properties per note 2.2	(0.4)	–
Tax impact of adjusted items	(20.4)	(2.6)
Adjusted earnings	746.9	411.0

**Net cash** is defined in note 5.1.

**ROCE** is calculated as earnings before amortisation, interest, tax, operating charges relating to the defined benefit pension scheme and operating adjusting 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:

	2021 €m	2020 €m
Profit from operations	811.1	493.4
Amortisation of intangible assets	1.1	1.2
Cost associated with legacy properties	81.9	39.9
CJRS grant repayment/(income)	26.0	(26.0)
Operating charges relating to the defined benefit scheme	2.3	–
Share of post-tax profit from JVs and associates	27.7	28.3
Adjusted credit related to JV legacy properties	(0.4)	–
Earnings before amortisation, interest, tax, adjusted items and defined benefit scheme charges	949.7	536.8

Definitions of alternative performance measures and reconciliation to IFRS (unaudited)CONTINUED

	30 June 2021 £m	31 December 2020 £m	30 June 2020 £m	31 December 2019 £m	30 June 2019 £m
Group net assets per Consolidated Balance Sheet	5,452.1	5,204.7	4,840.3	4,849.1	4,869.0
Less:					
Other intangible assets per Consolidated Balance Sheet	(100.0)	(100.6)	(101.1)	(101.7)	(102.3)
Goodwill per Consolidated Balance Sheet	(805.9)	(805.9)	(805.9)	(805.9)	(805.9)
Current tax liabilities/(assets)	1.0	16.0	2.8	(0.4)	99.5
Deferred tax liabilities/(assets)	8.9	(4.9)	2.4	16.2	17.6
Retirement benefit assets	–	(2.1)	(3.5)	(68.6)	(62.6)
Cash and cash equivalents	(1,518.6)	(1,302.7)	(619.8)	(826.0)	(1,136.0)
Loans and borrowings	205.3	201.1	317.7	399.3	377.7
Prepaid fees	(4.1)	(5.1)	(6.1)	(7.1)	(7.4)
Capital employed	3,238.7	3,200.5	3,626.8	3,454.9	3,249.6
Three point average capital employed	3,355.3		3,443.8		

	2021	2020
Earnings before interest, tax, adjusted items and defined benefit scheme charges (from table above) (£m)	949.7	536.8
Three point average capital employed (from table above) (£m)	3,355.3	3,443.8
ROCE	28.3%	15.6%

Underlying ROCE is calculated as ROCE (above) with net assets also adjusted for land payables:

	30 June 2021 £m	31 December 2020 £m	30 June 2020 £m	31 December 2019 £m	30 June 2019 £m
Capital employed (from ROCE table above)	3,238.7	3,200.5	3,626.8	3,454.9	3,249.6
Adjust for land payables	658.3	601.1	791.9	830.8	960.7
Capital employed adjusted for land payables	3,897.0	3,801.6	4,418.7	4,285.7	4,210.3
Three point average capital employed adjusted for land payables	4,039.1		4,304.9		

	2021	2020
Earnings before interest, tax, adjusted items and defined benefit scheme charges (from table above) (£m)	949.7	536.8
Three point average capital employed adjusted for land payables (from table above) (£m)	4,039.1	4,304.9
Underlying ROCE	23.5%	12.5%

For the purpose of determining the Executive Directors' annual bonus (page 104), capital employed is adjusted for land, land payables and trade payables:

	30 June 2021 £m	31 December 2020 £m	30 June 2020 £m	31 December 2019 £m	30 June 2019 £m
Capital employed (from ROCE table above)	3,238.7	3,200.5	3,626.8	3,454.9	3,249.6
Adjust for land	(2,946.3)	(2,836.7)	(3,112.3)	(3,036.3)	(3,071.6)
Adjust for land payables	658.3	601.1	791.9	830.8	960.7
Adjust for trade payables	289.6	223.3	186.8	294.3	385.6
Capital employed adjusted for land, land payables and trade payables	1,240.3	1,188.2	1,493.2	1,543.7	1,524.3
Three point average capital employed adjusted for land, land payables and trade payables	1,307.2		1,520.4		

Total indebtedness is defined as net (cash)/debt and land payables:

	2021	2020
Net cash (£m)	(1,317.4)	(308.2)
Land payables (£m)	658.3	791.9
Total indebtedness	(659.1)	483.7

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

Glossary

ACM	Aluminium Composite Material
Act	The Companies Act 2006
Active outlet	A site with at least one plot for sale
AGM	Annual General Meeting
AIMCH	Advanced Industrialised Methods for the Construction of Homes
APM	Alternative performance measure
APPG	All-Party Parliamentary Groups
Articles	The Company's Articles of Association
ASP	Average selling price
Barratt	Barratt Developments PLC and its subsidiary undertakings
BEIS	Department for Business, Energy and Industrial Strategy
BNG	Biodiversity Net Gain
Brexit	The withdrawal of the United Kingdom from the European Union
BRICK	Barratt Risk and Internal Control Framework
BSC	British Safety Council
Building for Life 12	This is the industry standard, endorsed by the Government, for well-designed homes and neighbourhoods that local communities, local authorities and developers are invited to use to stimulate conversations about creating good places to live
Building Regulations	The requirements relating to the erection and extension of buildings under UK Law
Capital employed	Average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, prepaid fees, retirement benefit assets/ obligations and derivative financial instruments
CBI	Confederation of British Industry
CDP	Charity that runs the global system for disclosure of environmental impacts for investors, companies, cities, states and regions
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CITB	Construction Industry Training Board
CJRS	Coronavirus Job Retention Scheme
CMA	Competition and Markets Authority
CMI	The actuarial profession's Continuous Mortality Investigation
CO <sub>2</sub> e	Carbon dioxide equivalent
Code	UK Corporate Governance Code issued in July 2018 [copy available from www.frc.org.uk]
COINS	Construction Industry Solutions (software used by the Group)
Company	Barratt Developments PLC

Connected Persons	As defined in the EU Market Abuse Regulation
COP26	The 26th session of the Conference of the Parties of the UN Framework Convention on Climate Change
COVID-19	Coronavirus Disease 2019
CRM	Customer Relationship Management
DBP	Deferred Bonus Plan
DEFRA	Department for Environment, Food and Rural Affairs
DER	Dwelling emissions rates
DTRs	Disclosure Guidance and Transparency Rules
EBT	Barratt Developments Employee Benefit Trust
ELTIP	Employee Long-Term Incentive Plan
EPC	Energy Performance Certificate
EPS	Earnings per share
ESG	Environmental Social Governance
EU	European Union
EWS	External Wall System
FCA	Financial Conduct Authority
Foundation	The Barratt Developments PLC Charitable Foundation
FRC	Financial Reporting Council
FSC	Forest Stewardship Council
FTSE4Good	Equity index series of companies demonstrating strong ESG practices
FY	Financial year ended 30 June
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
Group	Barratt Developments PLC and its subsidiary undertakings
GHG	Greenhouse Gas
GMP	Guaranteed Minimum Pension
HBF	Home Builders Federation
HMRC	HM Revenue & Customs
HR	Human Resources
IA	Investment Association
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIR	Injury incidence rate
IIRC	International Integrated Reporting Council
<IR>	Integrated Report
IR35	HMRC off-payroll working rules
ISA	International Standards on Auditing



ISAE	International Standard on Assurance Engagements
ISO	International Organisation for Standardisation
JVs	Joint ventures
KPI	Key performance indicator
LGBTQ+	Lesbian, gay, bisexual, transgender, queer and other gender expressions
LIBOR	The London Interbank Offered Rate
lpppd	Litres per person per day
LTPP	Long-Term Performance Plan
LTV	Loan to Value
MHCLG	Ministry of Housing, Communities and Local Government
MMC	Modern methods of construction
MP	Member of Parliament
NED	Non-Executive Director
Net cash	Cash and cash equivalents, bank overdrafts, interest bearing borrowings and prepaid fees
Net tangible assets	Group net assets less other intangible assets and goodwill
NHBC	National House Building Council
NHS	National Health Service
NI	National Insurance
NPPF	The National Planning Policy Framework
Ofcom	The regulator and competition authority for the UK communications industries
Operating margin	Profit from operations divided by revenue
Oregon	Oregon Timber Frame Limited and its subsidiary Oregon Contract Management Limited
Paris Agreement	International treaty on climate change adopted on 12 December 2015 and entered into force on 4 November 2016
PBT	Profit before tax
RBLI	Royal British Legion Industries
PEFC	The Programme for the Endorsement of Forest Certification
PwC	PricewaterhouseCoopers LLP
RCF	Revolving Credit Facility
REGO	Renewable Energy Guarantees of Origin
RIs	Reportable Items
RICS	Royal Institution of Chartered Surveyors
ROCE	Return on capital employed calculated as described on pages 177 and 178
RPDT	Residential Property Developer Tax
RSPB	Royal Society for the Protection of Birds
SAPS	Self-Administered Pension Scheme

SASB	Sustainability Accounting Standards Board
SBTi	Science Based Targets Initiative
Scheme	The Barratt Group Pension & Life Assurance Scheme
SDLT	Stamp Duty Land Tax
SECR	Streamlined Energy and Carbon Reporting
Sharesave	Savings-Related Share Option Scheme
SHE	Safety, Health and the Environment
SIC	Standing Interpretations Committee
Site ROCE	Site operating profit (site trading profit less allocated administrative overheads) divided by average investment in site land and work in progress
SMIS	Senior Manager Incentive Scheme
SMSOP	Senior Manager Share Option Plan
SONIA	Sterling Overnight Interest Average
SUDS	Sustainable Urban Drainage Systems
TCFD	The Task Force for Climate-related Financial Disclosures
Total completions	Unless otherwise stated, total completions quoted include JVs
Total indebtedness	Net debt/(cash) and land payables
TRADA	Timber Research And Development Association
TSR	Total shareholder return
Underlying ROCE	ROCE as defined on pages 177 and 178, with net assets also adjusted for land payables
UN SDGs	United Nations Sustainable Development Goals
USPP	US Private Placement
WIP	Work in progress
VAT	Value Added Tax

Integrated reporting approach

Reporting approach

Our integrated report is primarily prepared for our shareholders; however, through our activities we create value for a range of other stakeholders.

Reporting frameworks

Our integrated reporting is guided by various codes and standards outlined in the table here.

Report scope and boundary

Our Integrated Report covers the performance of Barratt Developments PLC for the financial year ended June 2021.

The report extends beyond financial reporting and includes non-financial performance, opportunities and risks that may have a significant influence on our ability to create value.

Integrated reporting framework

The primary purpose of an integrated report is to explain to providers of financial capital how an organisation creates value over time. An integrated report benefits all interested stakeholders including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers.

The IIRC’s vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking.

Approval by the Board of Directors

This Annual Report is an integrated report and has been prepared and presented in accordance with the International Integrated Reporting <IR> Framework published by the IIRC in December 2013.

The Board, which is responsible for the integrity of this report, has collectively considered preparation and presentation of this report and concluded that it has been prepared and presented in accordance with the Framework.

Sustainability frameworks

Framework

The International Integrated Reporting Council’s Integrated Reporting Framework

**Purpose**  
Framework that is focused on articulating the value creation of an entity over time.

Framework

United Nations Sustainable Development Goals

**Purpose**  
Outward-looking framework that covers the areas of the UN’s 2030 Agenda focused on people, planet and prosperity.

The 17 UN SDGs define global sustainable development priorities and aspirations for 2030 and seek to mobilise global efforts around a common set of goals and targets.

The UN SDGs call for worldwide action among governments, business and civil society to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet. The UN SDGs were launched in 2015 by the UN.

Framework

Task Force on Climate-related Financial Disclosures (‘TCFD’) recommendations

**Purpose**  
Recommendations for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change.

Our primary disclosures aligning with TCFD recommendations as we continue on our journey towards full alignment, are made through the CDP Climate survey, which we submit on an annual basis. In 2018 the CDP Climate Survey format was aligned to TCFD recommendations. Other TCFD related disclosures can be found within the content of this integrated report, and on the sustainability section of our corporate website.

Legal requirements

Framework

International Financial Reporting Standards (‘IFRS’)

**Purpose**  
Global framework for how companies prepare and disclose their financial statements.

Framework

Companies Act 2006

**Purpose**  
Company law in the UK.

Framework

UK Corporate Governance Code

**Purpose**  
The standards of good practice for listed companies on board composition and development, remuneration, shareholder relations, accountability and audit.

Framework

Streamline Energy and Carbon Reporting (‘SECR’)

**Purpose**  
Disclosures required by the UK Government on a company’s energy consumption and greenhouse gas emissions.

# Group advisers and Company information

<b>Registrars</b> Link Group 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL  Tel: 0371 664 0300	<b>Registered office</b> <b>Barratt Developments PLC</b> Barratt House Cartwright Way Forest Business Park Bardon Hill Coalville Leicestershire LE67 1UF  Tel: 01530 278278  <b>www.barrattdevelopments.co.uk</b>
<b>Statutory auditor</b> Deloitte LLP London	
<b>Solicitors</b> Slaughter and May	
<b>Brokers and investment bankers</b> Credit Suisse Securities (Europe) Limited Deutsche Bank AG	<b>Company information</b> Registered in England and Wales. Company number 00604574

Financial calendar Announcement	
2021 Annual General Meeting and Trading update	13 October 2021
2022 Interim Results Announcement	9 February 2022
2022 Annual Results Announcement	7 September 2022



We are committed to reducing the environmental impact in our operations and are working with Jones and Palmer to assess the cradle-to-grave carbon footprint of this publication. This assessment is being independently undertaken by CarbonQuota and we will use this to create a baseline against which we can plan carbon reduction targets for future versions.



We're supporting responsible management of the world's forests and being kinder to the planet by using FSC® certified paper.



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WORLD  
LAND  
TRUST™

The carbon emissions of this paper have also been offset through the World Land Trust's Carbon Balanced programme, which protects tropical forests under imminent threat of deforestation and degradation.

We printed this publication in the UK using biodegradable vegetable inks.

