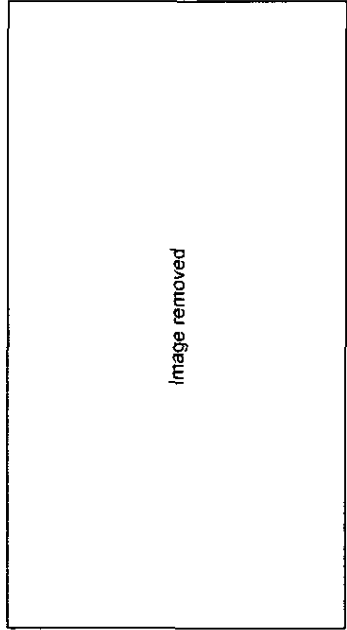
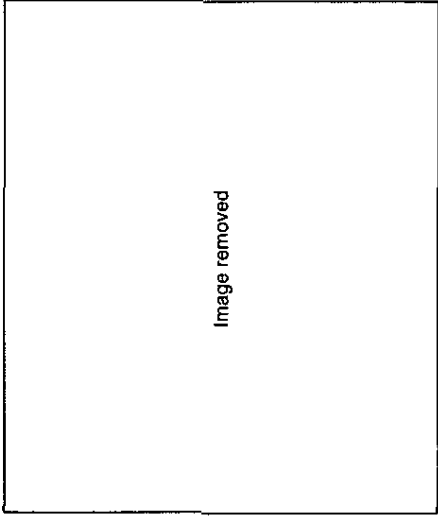
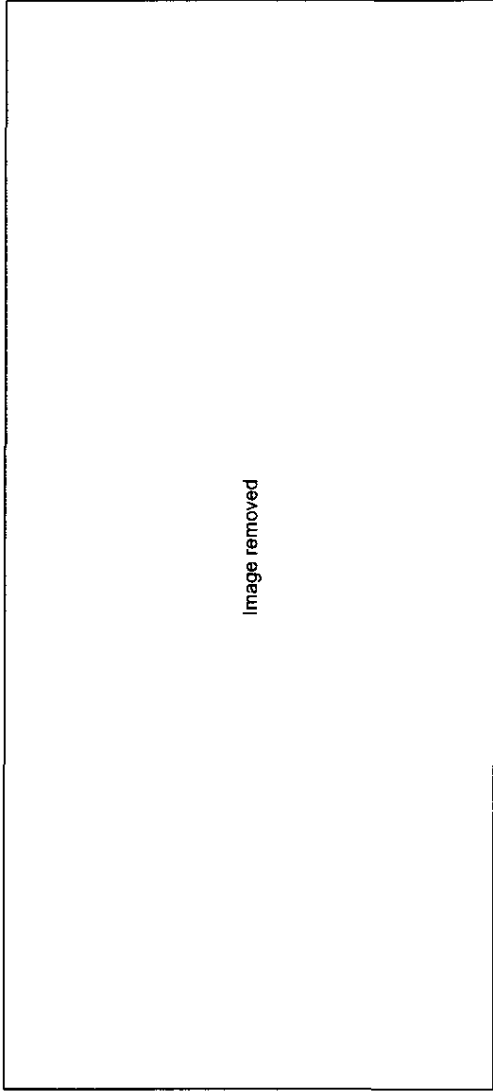
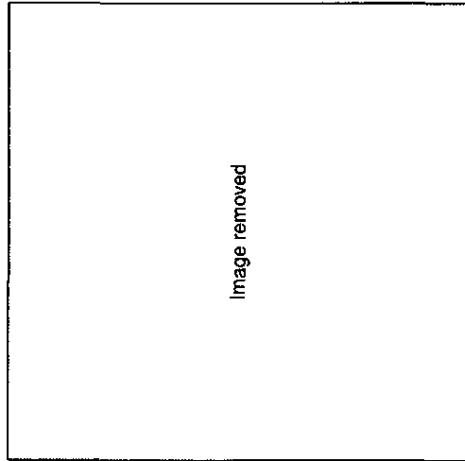




Building excellence

Annual Report and Accounts 2017



TUESDAY



A16 14/11/2017 #140
COMPANIES HOUSE

Inside this report

1 Strategic Report 1 Key highlights 2 A snapshot of our business 4 Our performance and financial highlights 6 How we create and preserve value 8 Chairman's statement 10 Key aspects of our market 12 Chief Executive's statement 17 Our Strategic priorities Our principles 34 Keeping people safe 35 Being a trusted partner 36 Building strong community relationships 37 Safeguarding the environment 38 Ensuring the financial health of our business 40 Risk management	45 Governance 46 The Board 48 Corporate governance report 60 Nomination Committee report 65 Audit Committee report 74 Safety, Health and Environment Committee report 76 Remuneration report 106 Other statutory disclosures 112 Statement of Directors' Responsibilities	113 Financial Statements 114 Independent Auditor's Report 119 Consolidated Income Statement 119 Statement of Comprehensive Income 120 Statement of Changes in Shareholders' Equity – Group 121 Statement of Changes in Shareholders' Equity – Company 122 Balance Sheets 123 Cash Flow Statements 124 Notes to the Financial Statements	175 Other Information 175 KPI definitions and why we measure 176 Glossary 177 Other Information 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 1 to 44 and the Directors' Report contained on pages 45 to 112. Under English law, the Directors would be liable for 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 1 to 44 inclusive comprise the Strategic Report and pages 45 to 112 inclusive comprise the Directors' Report, both of which have been approved and signed in accordance with the provisions of the Companies Act 2006 by the Directors. 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 result in actual outcomes and results to be materially different.
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Strategic priorities

Image removed Customer first See page 18	Image removed Great places See page 22	Image removed Leading construction See page 26	Image removed Investing in our people See page 30
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Welcome to Barratt Developments

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

By **investing in our people**,
we are **leading construction**
to create **great places**
where people aspire
to live and generating
sustainable returns
for our shareholders.

Key highlights¹

Continued strong performance

	2017 ²	2016 ²	Change
Total completions ³ (plots)	17,395	17,319	0.4%
Revenue (£m)	4,650.2	4,235.2	9.8%
Gross margin (%)	20.0	18.9	1.1 ppts
Adjusted gross margin ⁴ (%)	20.2	18.9	1.3 ppts
Profit from operations (£m)	799.2	668.4	19.6%
Adjusted profit from operations ⁴ (£m)	808.0	668.4	20.9%
Operating margin (%)	17.2	15.8	1.4 ppts
Adjusted operating margin ⁴ (%)	17.4	15.8	1.6 ppts
Profit before tax (£m)	765.1	682.3	12.1%
Adjusted profit before tax ⁴ (£m)	773.9	682.3	13.4%
ROCE (%)	29.8	27.1	2.7 ppts
Total dividend per share (pence)	41.7	30.7	35.8%
Net cash (£m)	723.7	592.0	22.2%
Net assets (£m)	4,322.2	4,010.2	7.8%

¹ Refer to page 175 for definitions of KPIs.

² Unless otherwise stated, all numbers quoted exclude joint ventures ('JV') and are for the year ended 30 June throughout this Annual Report and Accounts.

³ Includes JV completions in which the Group has an interest.

⁴ Calculated before commercial adjusted item disclosed in note 2.2 of the Financial Statements.

A snapshot of our business

We are the nation's leading housebuilder operating across Britain with 27 housebuilding divisions delivering 17,395¹ homes this year.

Our year in numbers

Total completions¹

Image removed

17,395

2016: 17,319

Average active outlets

Image removed

366

2016: 365

Housebuilding divisions

Image removed

27

2016: 27

Owned and controlled
land bank plots

Image removed

75,043

2016: 71,351

Employees²

Image removed

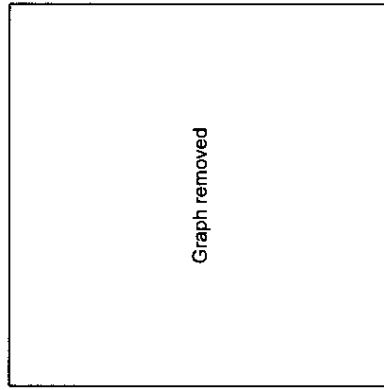
6,193

2016: 6,209

Our homes

We are a HBF 5 Star homebuilder and create great places to live.

2017 completions by unit type

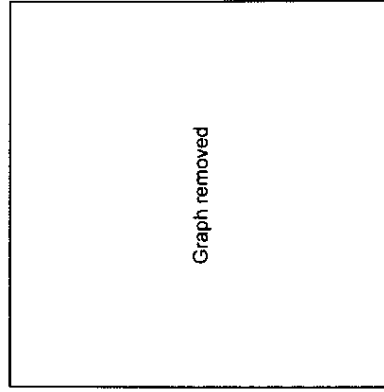


	2017	2016
1 and 2 bedroom houses	12%	11%
3 bedroom houses	32%	34%
4 bedroom houses	32%	31%
5 and 6 bedroom houses	4%	5%
Flats London	6%	7%
Flats non-London	14%	12%

Our customers

We put our customers first. We build great homes and aim to provide customer service that exceeds expectations.

2017 completions by deal type



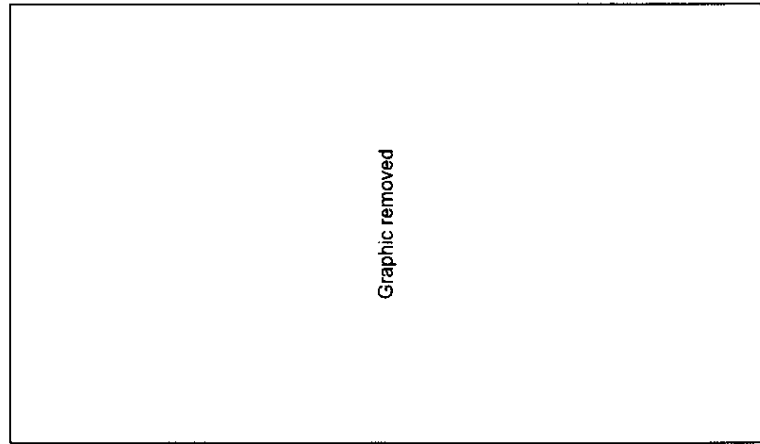
	2017	2016
Help to Buy	35%	32%
Part-exchange	8%	8%
Other private	31%	35%
Investor	6%	8%
Affordable	20%	17%

1 Total completions, including joint ventures, were 17,395 (2016: 17,319) for the year. Private completions for the year were 13,303 (2016: 13,198). Affordable completions for the year were 3,342 (2016: 2,707) and JV completions in which the Group had an interest were 750 (2016: 1,414).

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

Our geographic spread (including JV's)

We are the nation's leading housebuilder committed to operating throughout Britain¹. Completion volumes in the year were:



①	Scotland	1,708	2016: 1,556	②	Northern	2,141	2016: 2,055	③	Central	3,389	2016: 3,241
④	East	3,469	2016: 3,534	⑤	West	2,433	2016: 2,392	⑥	London and Southern	4,255	2016: 4,541

Our brands

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

Logo removed
Logo removed
Logo removed
Logo removed

¹ Housebuilding contributes 98.7% (2016: 98.1%) of revenues. We also have a commercial developments business which contributes 1.3% (2016: 1.9%) of revenues.

Our performance and financial highlights¹

Another record year. We delivered our highest number of completions for nine years with continued strong performance against our financial and operational key performance indicators.

Financial KPIs

KPI	Adjusted gross margin ² (%)	KPI	Adjusted profit before tax ² (£m)	KPI	Return on capital employed (ROCE) (%)
	20.2%		£773.9m		29.8%
	+1.3 ppts		+13.4%		+2.7 ppts
	Graph removed		Graph removed		Graph removed
	Target		Target		Target
	20% by FY17		Profit before tax in line with consensus		At least 25% by FY17
	Status: Achieved		Status: Achieved		Status: Achieved
KPI	Year end net cash/(debt) (£m)	KPI	Earnings per share (pence)	KPI	Total shareholder return
	£723.7m		61.3p		81.3%
	+£131.7m		+11.3%		
	Graph removed		Graph removed		Total shareholder return for the three years ended 30 June 2017
	Target		Target		(2016: 88.7% Total shareholder return for the three years ended 30 June 2016)
	Status: Achieved		Status: Achieved		See the full Total shareholder return performance graph page 104

1. Refer to page 175 for definitions of KPIs.

2. Gross margin and profit before tax are stated as adjusted measures following the inclusion of the adjusted commercial item as disclosed in note 2.2 of the Financial Statements. The value of key metrics disclosed in the prior year are unaffected by this change.

Non Financial KPIs

KPI Health and Safety
(SHE audit compliance)

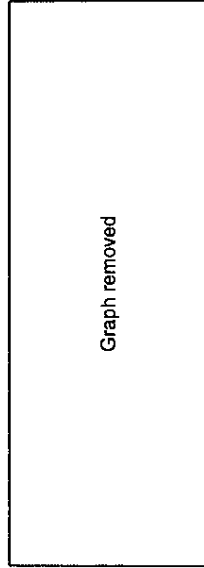


96%

Target
94%

Status: Achieved

KPI Owned and controlled land bank (years)
4.5 years



Target
c.4.5 years supply

Status: Achieved

KPI

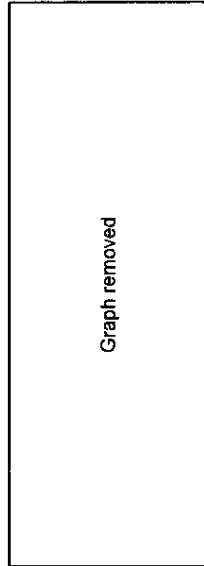
Customer service



Target
5 Star

Status: Achieved

KPI Land approvals (plots)
18,497



Target
16,000-18,000 plots approved for purchase

Status: Achieved greater than target

KPI

Employee engagement score

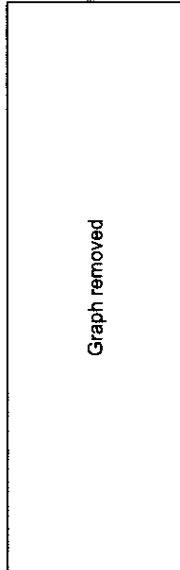


78%

Target
Upper quartile engagement ¹

Status: Achieved

KPI Total completions including joint ventures (units)
17,395



Target
Disciplined growth in completion volumes

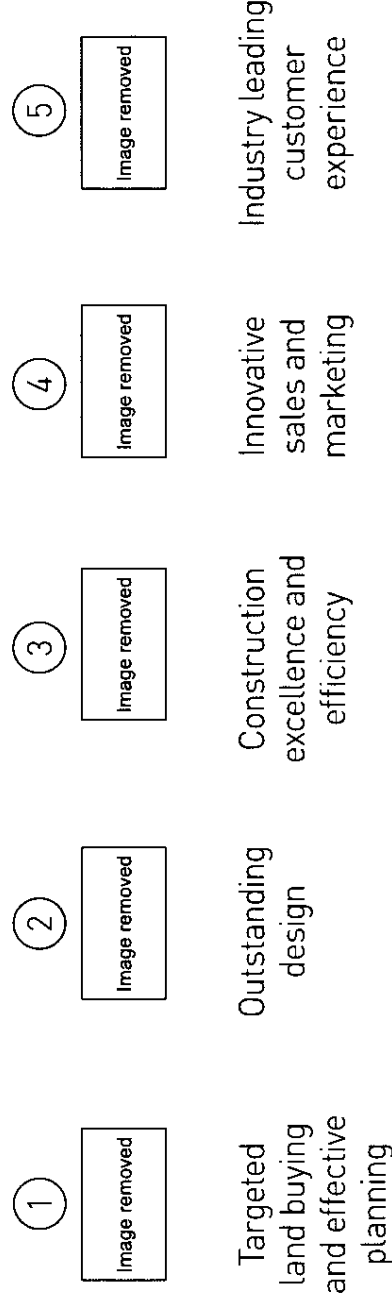
Status: Achieved

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

How we create and preserve value

Our business model focuses on delivering value across the housebuilding value chain, creating sustainable returns for shareholders and making a positive difference in the communities in which we operate.

What we do



Long term sustainable value

Shareholders

- Total shareholder returns including dividends
- > Two and a half times dividend cover
 - > Special cash payment programme in the four year period to November 2018
 - > In total £1.4bn¹ Capital Return Plan to November 2018

Customers and society

- > Quality homes
- > Local investment and regeneration
- > Job creation
- > Taxation revenues

Critical inputs

Financial capital	Our people	Local government engagement	Landowner engagement	Availability of building materials	Affordable mortgages	Contractors	Community relations
⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
See page 39	See page 30	See page 25	See page 25	See page 35	See page 11	See page 35	See page 36

¹ See page 15 for further details.

①

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Targeted land buying and effective planning

We purchase land in targeted locations which at least meets our hurdle rates of 20% gross margin and 75% site ROCE. We then work closely with local communities and authorities to deliver effective planning permissions.

Our capability to deliver developments of all levels of complexity from standard housing to large and highly complex London schemes, and our geographical portfolio means we can manage risk through our diversity.

We also have a proven track record in delivering successful JV partnerships.

②

Image removed

Outstanding design

We design outstanding homes and places for our customers, using standard house designs, developed using customer research.

This means our quality products are well designed to fit our customers' lifestyles with developments that enhance the local community, with our aim that all new developments meet Building for Life 12 standards.

③

Image removed

Construction excellence and efficiency

We build quality homes efficiently, with centralised procurement and sharing of best practice, whilst ensuring high standards of health and safety. Our experienced teams help ensure efficient delivery of complex developments.

We have long standing relationships with material suppliers which are centrally contracted, managing our cost base and ensuring continuity of supply. We also have strong, long standing relationships with local sub-contractors.

④

Image removed

Innovative sales and marketing

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

We have strong, well-recognised brands – Barratt Homes, David Wilson Homes and Barratt London that have carefully defined market positions.

⑤

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Industry leading customer experience

We focus on maintaining the very highest levels of quality seeking to understand customer needs and provide a first class customer experience.

We are the only major national housebuilder to achieve 5 Star HBF rating for customer satisfaction for eight consecutive years.

What we do

The value this creates

Gross margin of at least 20% and ROCE to at least 25%

Delivery of quality housing to help address Britain's housing shortage
Investment in local facilities and infrastructure resulting from development
Regeneration of brownfield sites

Ability to achieve the best possible prices for the homes we sell and driving returns

Successful development enhances local relationships and reputation, helping source future sites, obtain effective planning permissions, community support and customers

Positive legacy for local communities by building great places to live

Efficient house design reduces energy consumption and helps to provide a more sustainable future

Improving return on capital employed through capital efficiency

Security of materials and sub-contractor supply

High standards of health and safety

Job creation through over 12,100 supplier and sub-contractor companies that we help support

Helping address the construction industry skills shortage through employing and training apprentices and graduates and improving the industry's reputation

Good sales rates and revenues delivering improved returns

Efficient sales process enhances the customer journey from reservation through to completion

Improved revenues and efficiency through reduced remedial costs

Customers who are satisfied with their new homes and who would recommend us to their friends and families, generating further sales
Sustainable brand recognition and trusted reputation

The associated risks¹

- Economic environment, including housing demand and mortgage availability
- Land purchasing
- Liquidity
- Government regulation and planning policy
- Joint ventures and consortia
- Attracting and retaining high-calibre employees
- IT

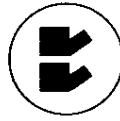
- Government regulation and planning policy
- Construction and new technologies
- Safety, health and environmental
- Attracting and retaining high-calibre employees
- IT

- Economic environment, including housing demand and mortgage availability
- Land purchasing
- Construction and new technologies
- Availability of raw materials, sub-contractors and suppliers
- Safety, health and environmental
- Joint ventures and consortia
- Attracting and retaining high-calibre employees
- IT

- Economic environment, including housing demand and mortgage availability
- Attracting and retaining high-calibre employees
- IT

- Attracting and retaining high-calibre employees
- Availability of raw materials, sub-contractors and suppliers
- IT

1. All the associated risks are discussed in greater detail in the Risk management section on pages 40 to 44.



This has been another excellent year for the Group across all key operational and financial performance metrics.

John Allan
Chairman

41.7p

Total dividend per share
2016: 30.7p

£1.4bn

Capital Return Plan
over four years ending November 2018
based on consensus earnings

Chairman's statement

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This has been another excellent year for the Group across all key operational and financial performance metrics. We achieved record profits, completion volumes were at their highest level for nine years and we remain industry leading in terms of quality and customer service.

We have delivered our FY17 financial targets of 20% gross margin and 25% ROCE, and we are committed to further progress. Improving our profit margin remains a priority for the Group and we have a number of initiatives underway to further increase efficiency, reduce costs and simplify our business.

We remain the largest housebuilder in the UK, delivering 17,395 homes in the year reflecting the strength of our housebuilding operations.

Our sites were awarded 74 NHBC Pride in the Job Awards for site management this year, more than any other housebuilder for the 13th year in a row. We were also awarded the Home Builders Federation maximum five star rating for the eighth consecutive year – the only major housebuilder with this record. We have now won 56 Built for Life accreditations for excellence in the design of homes and neighbourhoods, more than all the other housebuilders combined.

These are significant achievements and are testament to our continuing focus on leading the future of housebuilding by putting customers first and at the heart of everything we do.

Political and economic environment

Whilst the General Election in June 2017 created some uncertainty, Government support for housebuilding and a commitment to tackle the country's housing shortage remain. The Government's Housing White Paper published in February contained many positive measures, particularly those aimed at speeding up the planning system and bringing forward more land for new homes. Following the outcome of the EU referendum, the Board continues to monitor carefully the potential impacts of the vote to leave the EU on our business.

Market conditions remain good with a wide availability of attractive mortgage finance, which, alongside Help to Buy, continues to support robust consumer demand.

The Group is in a strong position, with a substantial year end net cash balance, healthy forward sales position and an experienced management team.

Consequently, we remain confident in the strong fundamentals of the housing sector and our business.

Our employees

The outstanding progress made during the year would not have been possible without the capability and dedication of our Senior Management team and employees whom I would like to thank on behalf of the Board. We ensure that we reward all of our employees appropriately so that we can recruit and retain the best people whilst motivating them to continue to perform year on year.

Corporate Governance

Underpinning any successful Company, is good corporate governance. Corporate governance is the basis of good management practice and we place it at the heart of everything we do. It is embedded in our policies, procedures and processes throughout our business from Board level to our divisional operations.

Last year the Government published a Green Paper on Corporate Governance. The Financial Reporting Council (FRC) announced a fundamental review of the UK Corporate Governance Code to take into account their work done around corporate culture and succession planning. The review will also take account of the issues raised in the Government's Green Paper and the BEIS Select Committee inquiry.

We have begun to explore the various proposals in the Green Paper and the FRC review with our advisors. We have already taken steps to establish a forum at which employee representatives from across the business will have the opportunity to express the views of the workforce on key topics such as culture, diversity, training and remuneration. This will ensure that best practice is embedded in our business and that we can effectively respond to, and implement, any changes that may be required as new regulation or legislation is introduced.

We will continue to ensure that good corporate governance remains embedded within the culture and values of the business as a whole whilst adapting our policies, processes and procedures in light of any changes proposed by the Government and the FRC. Through the Nomination Committee, we will ensure that we continue to have robust succession planning in place for both Board members and Senior Management.

We continue to cooperate fully with the Metropolitan Police on the ongoing investigation we instigated regarding possible misconduct in the London business. As stated in October 2016, Barratt does not anticipate any material adverse financial effect and our London business is operating well.

Appointments and succession

A number of Board changes took place during the year.

After eight years of service, Mark Rolfe stood down from the Board after the 2016 AGM. Jock Lennox, who had joined the Board on 1 July 2016, took over as Audit Committee Chairman. Details of the work undertaken by the Audit Committee during FY17 can be found on pages 65 to 73. In addition, Richard Akers was appointed as Senior Independent Director with effect from the conclusion of the 2016 AGM.

As announced on 19 January 2017, Neil Cooper, previously Chief Financial Officer, left the Board by mutual agreement. Information regarding the payments made to Neil on leaving the business can be found on page 103 and throughout the Remuneration Report. From that date, David Thomas performed the dual roles of Chief Executive and Chief Financial Officer. In order to maintain a stable governance framework, the Board ensured that David had sufficient support from members of the Senior Management team and from members of the Board to enable him to undertake his day to day duties under both roles. Details of the steps taken can be found on page 62.

On 22 June 2017, we were pleased to announce the appointment of Jessica White as Chief Financial Officer. Jessica was previously Group Financial Controller and is therefore very familiar with the way in which the Group operates. Jessica's full biography and details of the recruitment process followed are set out on pages 46 and 62 respectively.

More information on the composition of the Board and the individual roles and responsibilities of each Board member is set out on pages 46 and 47.

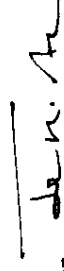
Delivering returns for our shareholders

In line with the improved Capital Return Plan announced in February 2017, and given the strong financial performance of the Group, the Board is pleased to propose a final dividend of 17.1 pence per share (2016: 12.3 pence per share) and a special dividend of £175.0m (17.3 pence per share), both of which, subject to shareholder approval, will be paid in November 2017. The total proposed dividend for FY17, including the interim dividend of 7.3 pence per share paid in May 2017, is therefore 41.7 pence per share (2016: 30.7 pence per share).

Conclusion

I believe that you have a strong and experienced Board dedicated to managing your Company efficiently with a great focus on achieving long term sustainable value. The Board continues to have the right balance of skills, experience and knowledge to deliver the strategy of the Group during FY18. We remain, as ever, cognisant of the need for continued assessment of the Board and will keep under review the effectiveness, time commitment and tenure of each of our Directors.

I, on behalf of the Board, would like to thank you for your continued support and look forward to seeing many of you at our AGM on 15 November 2017.



John Allan
Chairman

5 September 2017

Key aspects of our market

A combination of demand continuing to exceed supply, a positive lending environment and ongoing Government support meant that the market for new homes remained strong during FY17.

163,940

English new build completions 2015-16¹
(2014-15: 155,080)
Source: DCLG

£218,390

UK average house price in June 2017²
(2016: £217,216)
Source: Halifax

The UK economy and housing market
The UK economy continued to grow, albeit more slowly than previously predicted, in the 12 months to 30 June 2017, with most economic indicators showing improvements on the prior year. The EU referendum result in June 2016 led to some initial uncertainty for the UK economy. The recovery of UK Government bond yields by December 2016, to levels similar to those seen prior to the EU referendum, indicated that the economic effect of the 'leave' decision was less significant than first predicted (source: BOE³).

The UK housing market continued to show strength with UK residential housing transactions remaining at around 1.2 million transactions for the year to 30 June 2017, broadly in line with the prior year (source: HMRC⁴).

Despite the volume of property transactions being flat year on year, the market for new homes remains strong with the housing market as a whole being characterised by continued strong demand and undersupply, supported by a positive lending environment and ongoing Government support.

Housing supply

In February 2017, the Government issued a Housing White Paper, called 'Fixing Our Broken Housing Market' aimed at reforming the housing market and boosting the supply of new homes in England.

The most recent available data shows an increase of 5.7% in new build completions, with 163,940 new properties completed in England, for the tax year 2015-16 (source: DCLG⁵). Although housing supply is increasing, there remains a long term housing shortage compared to what is required to meet forecast demand.

Image removed

The David Wilson Homes and Barratt Homes award winning hillside development in Coulsdon, Surrey. The site showcases 659 quality homes with far reaching views and Built for Life accreditation.

The DCLG household projections suggest that 210,000 homes need to be built in England, each year to meet the growth in the number of households created across the period 2014-2039 in addition to the backlog already in existence.

Obtaining implementable planning permission continues to be a constraint for new build developments. A number of amendments have been made to the planning system in recent years and in addition, measures set out in the Housing White Paper propose to simplify the planning process further. In the year to December 2016, there was an increase of 12% in planning approvals to 323,061 across Great Britain [source: HBF¹].

Mortgage availability and Help to Buy

Mortgage transaction volumes have decreased slightly since last year, primarily due to continued weakness in buy-to-let completions. In contrast, first-time buyer completions have increased. The number of mortgage approvals for house purchases decreased by 6% to around 790,000 approvals in the year to June 2017 [source: BOE²]. However, average quoted household interest rates are at record affordable levels, and this should continue to support housing activity [source: BOE³].

The Help to Buy (Equity Loan) scheme continues to be an important enabler for new housebuilding. The Help to Buy (Equity Loan) scheme has supported 120,864 property completions since its launch in April 2013 to the end of March 2017 [source: DCLG⁴]. The majority of these property completions, representing 81%, were to first-time buyers.

House prices

The shortfall in the supply of housing stock and a continued availability of mortgage finance at low interest rates meant that house prices continued to rise in the year, although annual growth is lower than previous periods. TheONS⁵ house price index rose by an average of 4.9% per annum across the UK in the year to June 2017. The East of England showed the highest annual growth, where the ONS house price index rose by 7.2%, followed by the East Midlands at 7.1%. The lowest annual growth was in the North East, where prices increased by 2.5% over the year. According to the Halifax⁶, the UK average house price in June 2017 was £218,390, consistent with the average price in June 2016.

The higher end of the London market demonstrated some negative house price growth. Overall London house prices have shown a year on year fall of 1.4%, with inner London's drop of 4.2% outweighing a 1.7% rise in outer London⁷.

Housing outlook

The underlying demand for new housing is expected to remain strong as supply is unlikely to meet demand in the medium term. We are committed to do our part to help address the existing undersupply in the market.

The Government is committed to increasing the supply of new homes, and the Help to Buy (Equity Loan) scheme in place in England to 2021 will support an increase in new housing supply and provide certainty for both developers and purchasers.

However, the nature of the UK's departure from the EU continues to present a risk of uncertainty to the UK economy in the medium term.

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The Spinnings in Kirkham offers a range of three, four and five bedroom homes nestled between the seaside resort of Lytham St Annes and the city of Preston.

1 DCLG Components of housing supply: net additional dwellings, England, 2006-07 to 2015-16.

2 Halifax House Price Index June 2017.

3 Bank of England Inflation Report May 2017.

4 HMRC UK Property Transaction Statistics June 2017.

5 Home Builders Federation New Housing Pipeline Q4 2016 Report.

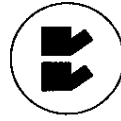
6 Bank of England Approvals for lending secured on dwellings

7 Table A5.4, not seasonally adjusted.

8 DCLG Help to Buy (Equity Loan) scheme quarterly statistics June 2017.

9 Office of National Statistics House Price Index June 2017.

9 Right Move House Price Index June 2017.



We lead the industry in the high quality of our homes and our customer service.

David Thomas
Chief Executive

£765.1m

Profit before tax
(2016: £682.3m)

29.8%

Return on capital employed
(2016: 27.1%)

Chief Executive's statement

Image removed

Our results

We have traded strongly throughout the financial year, delivering a record profit before tax of £765.1m, up 12.1% on the prior year (2016: £682.3m). We achieved our targets set in September 2014 of a 20% gross margin and 25% ROCE, with 2017 gross margin at 20.0% (2016: 18.9%) and our highest ROCE in 12 years at 29.8% (2016: 27.1%).

We have also continued to strengthen our Balance Sheet, ending the year with net cash of £723.7m (2016: £592.0m) and with net tangible assets of £3,430.0m (2016: £3,118.0m).

	Housebuilding	Commercial	Total
Total completions including JV's (plots)	17,395	-	17,395
Revenue (£m)	4,589.1	61.1	4,650.2
Gross margin (%)	20.2%	7.9%	20.0%
Profit from operations (£m)	797.8	1.4	799.2
Operating margin (%)	17.4%	2.3%	17.2%
Share of post-tax profit/(loss) from joint ventures and associates (£m)	26.5	(0.9)	25.6

Our businesses

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

Housebuilding

Housebuilding results

The business performed well throughout the financial year and delivered against both its financial and operational targets. Market conditions remain supportive, with attractive mortgage financing and the support of Help to Buy driving strong consumer demand.

We are the UK's largest housebuilder with total completions at 17,395 units including JV's (2016: 17,319). Private completions increased by 0.8% to 13,303 (2016: 13,198), affordable completions were 3,342 (2016: 2,707), and JV completions in which the Group had an interest were 750 (2016: 1,414).

We continue to increase the proportion of higher margin land completions which accounted for 92% (2016: 86%) of the total in the year and to trade through our legacy assets which has also contributed to the improvement in our gross margin.

Total average selling price ('ASP') on completions in the year increased by 6.0% to £275.2k (2016: £259.7k), with private ASP increasing by 8.0% to £313.1k (2016: £289.8k) benefiting from mix changes and underlying house price inflation.

Completions in our London business were in line with expectations and weighted to the second half, consistent with planned site build programmes, resulting in a higher ASP in the second half of FY17.

Our FY17 sales rate was 0.72 [2016: 0.69] net private reservations per active outlet per week in the full year and 0.76 [2016: 0.72] in the second half. During the year, we operated from an average of 377 active outlets including JV's [2016: 378].

Our share of profits from JV's and associates in the year for the housebuilding business decreased to £26.5m [2016: £72.4m], reflecting planned site build programmes and some headwinds in the central London market.

As at 30 June 2017 we were selling from 11 [2016: 11] JV outlets. In FY18 we expect to deliver around 750 joint venture completions and our share of profits from JV's to be around £25m.

Committed to building more high quality homes

We are dedicated to playing our part in addressing the UK's housing shortage, whilst maintaining our quality standards, and designing developments, which look great, are a pleasure to live on, and will enhance local communities for years to come.

We lead the industry in the high quality of our homes and our customer service. That quality is recognised through the NHBC Pride in the Job Awards for site management where we have achieved more awards than any other housebuilder for the 13th consecutive year. We are also the only major housebuilder to be rated five star by our customers in the HBF customer satisfaction survey for eight consecutive years.

We are committed to investing in the future of housebuilding. We continue to offer a range of graduate, apprentice and trainee programmes and are one of the largest employers of apprentices in the industry. In addition, we have successfully trialled a programme to recruit and train ex-forces personnel in site

management. We also continue to develop, trial and implement modern methods of construction which can help address industry-wide skills challenges and support future growth.

The key dimensions underpinning delivery of our strategy

In addition to the generally favourable market conditions during the year, the increase in our housebuilding profitability has benefited from our successful land investment strategy and from improvements in operating margin.

Land and planning

A key factor in the growth of our housebuilding business in recent years has been our land investment strategy, which has boosted absolute profit and led to increased completion volumes. The land market remained attractive throughout the financial year and we secured excellent opportunities that exceeded our minimum hurdle rates of 20% gross margin and 25% site ROCE. In the period, we approved the purchase of £957.2m [2016: £1,095.6m] of land, equating 18,497 plots [2016: 24,387 plots]. We expect to approve the purchase of over 20,000 plots in FY18.

We continue to target a regionally balanced land portfolio with a supply of owned land of c. 3.5 years and a further c. 1.0 year of controlled land. Our target for a shorter than sector average land bank reflects our focus on ROCE and our fast build and sell model. At 30 June 2017 we achieved this target with a 4.5 years land supply comprising 3.5 years owned land and 1.0 years controlled land, with the owned land bank including land with both outline and detailed planning consents. At 30 June 2017, the ASP of plots in our owned land bank was £265k.

Image removed

Large format block was successfully trialled in the construction of 34 homes at The Wickets development in Bottesford, near Nottingham.

£313,100 £957.2m

Private ASP
[2016: £289,800]

Approved land purchases
[2016: £1,095.6m]

Chief Executive's statement continued

Image removed

The new 'Radleigh' home from the Barratt Homes 2016 range, at St Wilfrids Walk, Brayton near Selby.

On strategic land we are making good progress and in FY17 we have achieved our mid-term target of delivering 25% of completions from strategic land. We target continued growth in the participation of strategically sourced land in the medium term, which will support future margin growth.

Following our success with planning over the past 12 months we are very well positioned, with all of our expected FY18 completions (2016: 99.7% of FY17 completions) having outline or full planning consent.

Improving efficiency and reducing costs

Improving the efficiency of our operations and controlling costs continues to be a high priority for the Group, as it will further enhance our margin.

In 2016, the Group undertook a fundamental review of its Barratt and David Wilson housing ranges. The outcome was a reduction in the number of houses in the range which will increase standardisation, simplify construction and reduce build costs whilst maintaining our high standards of design and build quality. There are currently 132 sites with c. 19,000 plots where we will be using the new ranges, of which 51 sites are already under construction.

We have also focused on improving margins through further standardisation of our layouts, stopping the advance sale of show homes and through business process simplification.

We have a robust and carefully managed supply chain with 90% of the housebuild materials sourced by our centralised procurement function manufactured or assembled in the UK. The cost of c. 75% of our centrally procured materials is now fixed until the end of FY18.

On labour, whilst we continue to see some pressure on skilled labour supply with shortages remaining location and trade specific, the rate of cost increase has eased. We are also seeking to increase construction efficiency and reduce demand on labour through implementing the new house type ranges which are easier to build and through the use of alternative build options such as timber frames, large format block and light gauge steel frames.

We continue to expect that overall build cost inflation for FY18 will be c. 3-4%. We carefully control our administrative cost base and expect administrative expenses to be around £150m for FY18 (2017: £132.8m).

Commercial developments

Wilson Bowden Developments ('WBD') is our commercial development division.

During the year, WBD completed a new logistics hub and a freehold sale. WBD are currently developing a logistics warehouse and an office and warehouse facility. We have also continued to make progress in leasing our retail schemes at Hinckley, and have completed its investment sale.

Commercial development revenue was £61.1m (2016: £81.9m) with an operating profit before adjusting items of £10.2m (2016: £6.0m). After charging an £8.8m provision against a legacy commercial asset, we recognised an operating profit of £1.4m (2016: £6.0m).

Health and safety

The health and safety of our people, contractors, customers and the general public is the Group's number one priority.

Increased activity levels across the industry in terms of site openings and production volumes combined with shortages of skilled staff has contributed to an increased risk of accidents on sites. We remain fully committed to the highest standards of health and safety on our sites. In the year, our reportable injury incidence rate has decreased slightly with 379 (2016: 385) reportable incidents per 100,000 employees.

The tragic events at Grenfell Tower in London illustrate why health and safety must always remain the first priority for the building industry. Fire safety is core to the way we plan and build our developments. Following the fire at Grenfell Tower, we conducted a review of our sites and continue to ensure we are maintaining the highest standards of building safety.

Delivery of our strategic objectives

We delivered on our financial targets, set in September 2014, of a minimum ROCE of 25% and a 20% gross margin for FY17 and we are focused on making further progress. With our improved Capital Return Plan, announced with our interim results in February 2017, we continue to deliver attractive cash returns.

Our key financial metrics

Our housebuilding business achieved a gross margin of 20.2% (2016: 19.1%) up 1.1 ppts and an operating margin of 17.4% (2016: 15.9%) up 1.5 ppts reflecting the improvements we have driven through the business, notwithstanding that the high-end London market presents some headwinds in this regard. The Group delivered a gross margin of 20.0% (2016: 18.9%) and an operating margin of 17.2% (2016: 15.8%) up 1.4 ppts on the prior year.

In August 2017, the Group refinanced the maturing US\$80m US Private Placement (USPP) with a new USPP of £200m, taking advantage of the current low interest rate environment. This has a ten year maturity with a fixed coupon of 2.77% which is significantly lower than the maturing USPP that had a fixed rate of interest of 8.14%. Following these financing changes we expect interest costs for FY18 to be around £50m of which c. £15m will be cash interest costs.

Net tangible assets were £3,430.0m (£3.40 per share) of which land net of land creditors and work in progress totalled £3,340.7m (£3.31 per share).

Capital Return Plan

In February, the Board announced that, given the significant operational and financial improvements the Group has made over the last few years, it would improve and extend the existing dividend plan announced in September 2014. As a result, the Group has improved the level of ordinary dividend cover from three times to two and a half times, and thereby increased the dividend payout ratio.

When market conditions allow, ordinary dividends will be supplemented with the payment of special dividends. The Board proposes to pay special dividends of £175m in November 2017 and November 2018.

We are therefore delighted to propose a final dividend of 17.1 pence per share (2016: 12.3 pence per share) resulting in a total ordinary dividend for the year up 33.3% to 24.4 pence per share (2016: 18.3 pence per share) and the third of our special dividends totalling £175.0m, equivalent to 17.3 pence per share. Both dividends will be paid on 20 November 2017 to all shareholders on the register at the close of business on 27 October 2017.

We have achieved our ROCE target with ROCE increasing by 2.7 ppts to 29.8% (2016: 27.1%). Contributing to this growth has been our increased operating profitability, use of land creditors and the disposal of our legacy shared equity interests. It remains a core part of our strategy to drive ROCE performance further, in line with our fast build and sell model.

Maintaining an appropriate capital structure

As at 30 June 2017, the Group had a net cash balance of £723.7m (2016: £592.0m), ahead of expectations, driven by strong performance and the timing of land and working capital payments. We expect to have low levels of average net debt throughout the year and FY18 year-end net cash to be around £500m.

We seek to defer payment for land purchases where possible to drive a higher ROCE, and land creditors as at 30 June 2017 were 37% of the owned land bank (30 June 2016: 38%). We continue to secure attractive deferred payment terms on land and expect land creditors as a proportion of the owned land bank to reduce slightly and be around 30-35% at 30 June 2018, in line with our operating framework.

The Group continues to maintain an appropriate financial structure with shareholders' funds and land creditors funding the longer term requirements of the business and with term loans and bank debt funding shorter term requirements for working capital. In December, we further strengthened working capital capacity by amending and extending our existing revolving credit facility, removing the £150m stepdown in facility size previously due in December 2017 and extending our £700m facility to December 2021.

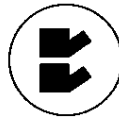
Capital Return Plan ^a	Ordinary dividend £m	Special dividend £m	Total Capital Return £m	Total pence per share
Paid to date^a	407.7	224.7	632.4	63.1p
Proposed payment				
November 2017	172.2 ^b	175.0	347.2	34.4p ^c
Year to November 2018	255.7 ^{b,d}	175.0	430.7	42.7p ^c
Total proposed payment	427.9 ^{b,d}	350.0	777.9	77.1p ^c
Total Capital Return Plan	835.6	574.7	1,410.3	140.2p ^c

A. All ordinary and special dividends are subject to shareholder approval. The third special dividend will be subject to shareholder approval at the Annual General Meeting in November 2017 and subsequent special dividends will be subject to shareholder approval.

B. Comprised of FY15 interim dividend of 4.8 pence per share (£47.5m), FY15 final dividend of 10.3 pence per share (£103.1m), FY15 special dividend of 7.0 pence per share (£70.0m), FY16 interim dividend of 6.0 pence per share (£60.1m), FY16 final dividend of 12.3 pence per share (£123.6m), FY16 special dividend of 12.4 pence per share (£124.7m), and FY17 interim dividend of 7.3 pence per share (£73.4m).

C. Based on Reuters consensus estimates of earnings per share of 63.4 pence for FY18 as at 31 August 2017 and applying a two and a half times dividend cover in line with previously announced policy.

D. Based upon 30 June 2017 share capital of 1,006,729,041 shares (or proposed payments



We have started the new financial year in a good position with £723.7m year-end net cash and a healthy forward order position.

David Thomas
Chief Executive

Current trading and outlook

In the first nine weeks of the financial year, the Group has achieved net private reservations per average week of 265 (FY17: 267), resulting in net private reservations per active outlet per average week of 0.74 (FY17: 0.75).

Forward sales (including JV's) up 13.8%, as at 3 September 2017 at £2,749.9m (4 September 2016: £2,416.5m), equating to 12,160 plots (4 September 2016: 11,364 plots).

	3 September 2017		4 September 2016		Variance £m
	£m	Plots	£m	Plots	%
Forward sales					
Private	1,722.3	4,994	1,545.9	4,723	11.4
Affordable	749.0	6,260	707.4	5,957	5.9
Sub-total	2,471.3	11,254	2,253.3	10,680	9.7
JV	278.6	906	163.2	684	70.7
Total	2,749.9	12,160	2,416.5	11,364	13.8

We have started the new financial year in a good position, with £723.7m year-end net cash and a healthy forward order position. Our outlook for FY18 is unchanged and we continue to expect to deliver modest growth in wholly owned completions, with affordable completions representing a similar proportion of completions as FY17.

We have industry leading quality and customer service, and talented employees whose outstanding contribution drives our success. I am proud to lead our first class team who are all determined to build on our outstanding operational and financial performance.

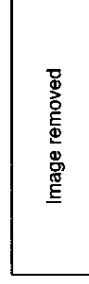
In FY18, we will continue to deliver our strategic objectives with a particular focus on improving margin, maintaining an appropriate capital structure and delivering our Capital Return Plan. When market conditions allow, ordinary dividends will be supplemented with the payment of special dividends.

David Thomas
Chief Executive

5 September 2017

Our Strategic priorities

We believe that a strongly performing business benefits from a focus on its wider priorities which for us are: Customer first, Great places, Leading construction and Investing in our people. Each of these priorities has a work plan to drive improvements across the business and they are supported by a set of principles and financial discipline which underpins all of our operations.

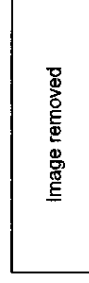


Customer first

➕
See page 18

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

We are the only major national housebuilder to achieve the HBF 5 Star Customer Satisfaction rating for eight consecutive years, with over 90% of customers stating that they would recommend us to a friend.

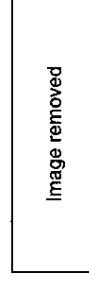


Great places

➕
See page 22

Our objective is to be the partner of choice for landowners by demonstrating our ability to achieve planning permission and create value.

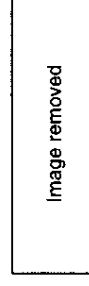
We are committed to good design and all of our developments are reviewed against our 'Great Places' design standard at the pre-application stage.



Leading construction

➕
See page 26

We continue to focus on a 'right first time' approach as the most efficient way of operating across all aspects of our building processes concentrating on improving build quality which will reduce remedial costs and improve customer satisfaction.



Investing in our people

➕
See page 30

Attracting and retaining the best people is an important priority for the business. We aim to have a diverse workforce that reflects the communities in which we operate, delivering excellence for our customers and business by drawing on a broad range of talents, skills and experience.

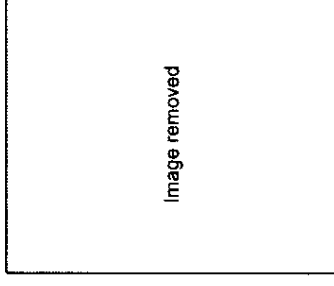
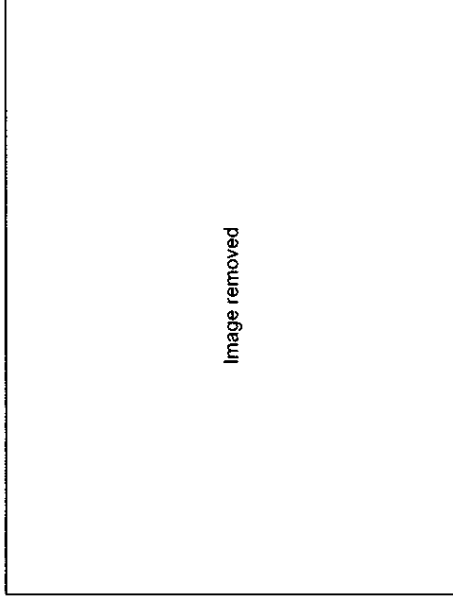
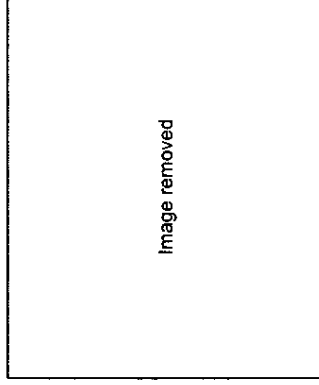
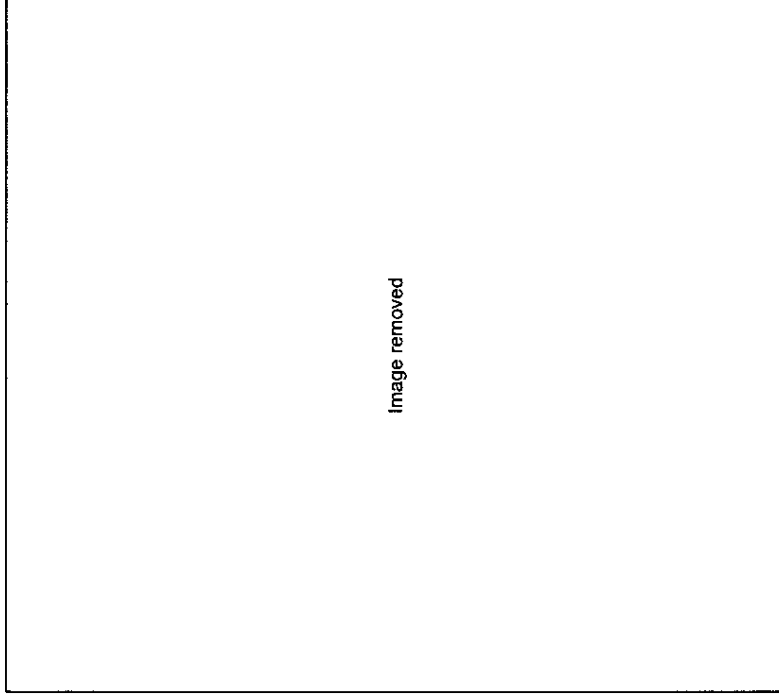
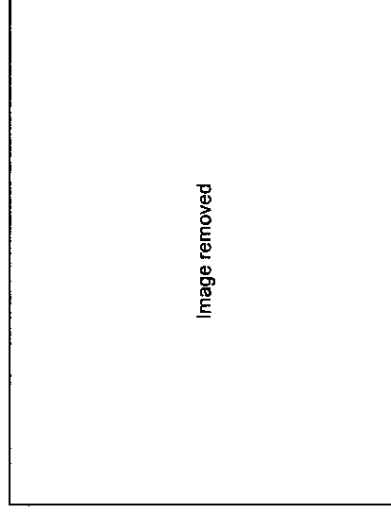
Our principles

Keeping people safe	➕ See page 34	Being a trusted partner	➕ See page 35	Building strong community relationships	➕ See page 36	Safeguarding the environment	➕ See page 37	Ensuring the financial health of our business	➕ See page 38
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Delivering sustainable shareholder value

Building excellence
by putting

Customers first



The challenge

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

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

Strategic priority

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

Key highlights

Only major national housebuilder to be awarded HBF 5 Star status for eight consecutive years

Continued investment in our customer journey

Investment in customer service training across the business

KPI

HBF 5 Star homebuilder

Logo removed

Why we measure

We measure customer service as our customers are key to our success as a business. The HBF Homebuilder survey is an industry recognised, independently measured indicator of both our customer service and build quality.

The survey is designed to provide home buyers with information about housebuilders to help guide their purchasing decision, and to encourage excellent levels of service to be delivered by housebuilders.

Objectives for FY18

Continue to deliver high quality homes and developments

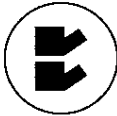
Enhance the online experience for our customers, both before and after they take ownership of their new home

Develop automated solutions to improve the speed and consistency of our service delivery

Improve the capability of our teams through training and development

Use insight gained from customers to drive continuous improvement to our policies and procedures

Image removed



We place customers at the heart of everything we do. All of our team are responsible for delivering customer satisfaction.

Over 90%

of our customers would recommend us to friends and family

Image removed

Will and Hannah Tomsett purchased a property at our Madden Gardens development in Leichworth Garden City.

Customer satisfaction

We place customers at the heart of everything we do, with their satisfaction being a key performance indicator at all levels of management. All of our team are responsible for delivering customer satisfaction and we operate a Customer Service Academy comprising both classroom and online training to ensure that our employees understand how to deliver, right first time, every time.

We achieved the HBF 5 Star homebuilder award for the eighth year in succession which means that more than 90% of our customers stated that they would recommend us to friends and family. This is more than any other major housebuilder. We appreciate our customers' feedback and our teams are committed to acting upon it. We continue to improve customer service, investing in technology from developments to our customer service systems and our onsite systems to aid our quality control inspections. We have reviewed our customer journey and automated where possible to speed up and streamline our sales process. This includes how customers reserve homes and personalise their new homes with choices and upgrades.

All our site managers perform quality inspections and record each stage of quality control using mobile tablets, and our customer service operatives use mobile tablets to manage any customer issues following legal completion. Management throughout the business are responsible for customer service and monitor customer satisfaction survey performance on a weekly basis.

Increasing customer insight

We have developed an 'always on' programme to gather insight at every stage of our customer journey. This will encompass the whole end to end customer experience from initially browsing our website right through to moving in and beyond. The feedback gained so far has already informed how we support customer's online and will continue to drive improvements and decision making as well as helping us to further align our business with customer needs.

Training

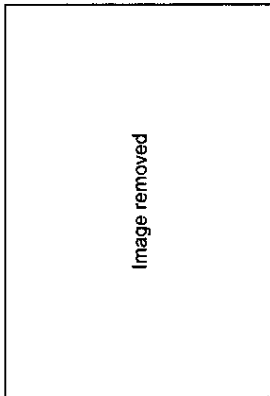
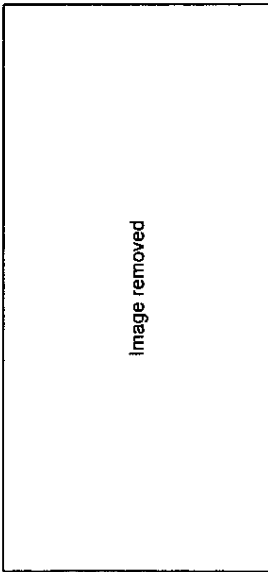
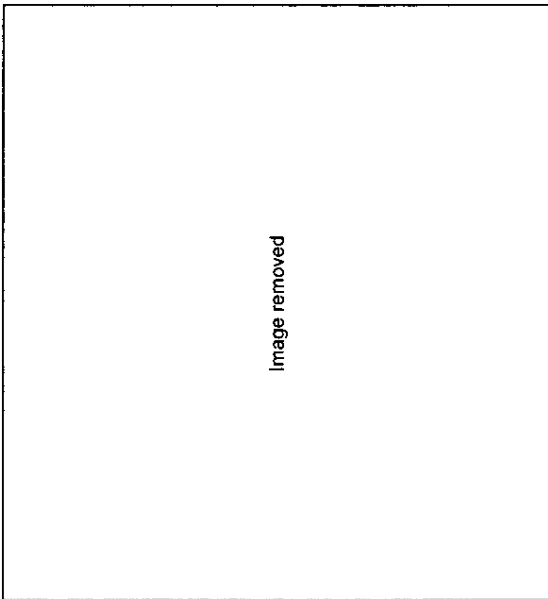
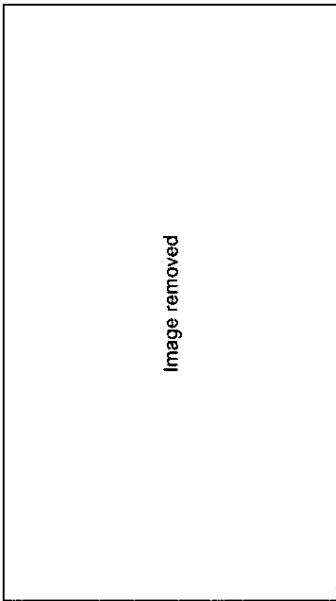
In support of our commitment to outstanding build quality we have invested in training and support for our site managers to ensure they have all the skills and tools that are required in order to deliver the highest quality homes. Our Customer Care teams have also benefited from a joint training initiative between us and the NHBC to improve how we manage any issues which occur after customers move in.

Image removed

The Clark family purchased a home at Butterfly Mill, Horsford, Norfolk. This was the 500th purchase made using the Help to Buy scheme for our Eastern Counties division.

Building excellence
by developing

Great places



The challenge

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

Strategic priority

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

Key highlights

Transformation of our land bank to more recently acquired higher margin land has progressed well

Detailed or outline planning permission on all of our FY18 expected completions and 96.1% of FY19 expected completions

Maintained progress on volume and margin contribution from strategic land

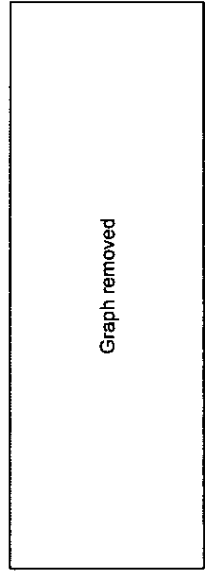
KPI

Owned and controlled land bank

4.5 years
(2016: 4.5 years)

Land approved for purchase plots

18,497



Target

16,000-18,000 plots approved for purchase

Status: Achieved greater than target

Why we measure

The availability of land is a key input to our business. We continually monitor our land bank and the mix of land we have to ensure we have an appropriate land supply. We measure and monitor land approvals to monitor our land intake and ensure we are approving for purchase an appropriate amount of land to support our business activities going forward.

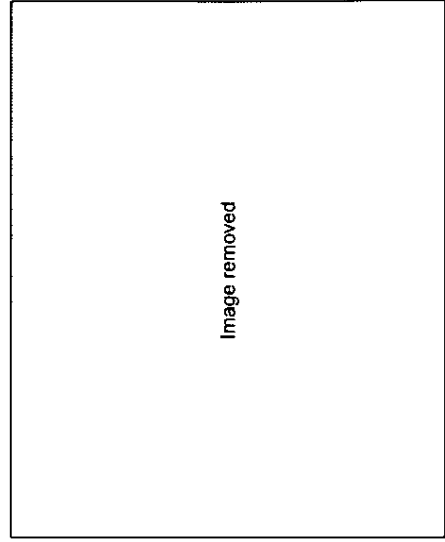
Objectives for FY18

Maintain 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

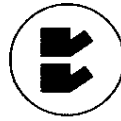
Maintain the percentage of completions from strategic land

Continue the transformation of our land bank from older, lower margin land to more recently acquired higher margin land

Continue to be recognised for designing great places which enhance local communities



Priorities and principles in action continued
Great places



Designing great places is fundamental to our business: our customers want to live in great places, the vendors of the land we purchase want to work with developers who leave behind a legacy of design quality.

35.7%

ROCE on completed sites acquired since 2009

11,737

Acres of strategic land

Securing the best land

We continue to see high quality land opportunities that exceed our required hurdle rates of a gross margin of 20% and a site ROCE of 25%.

Our success in buying land is based on the extensive local knowledge of our divisional land teams and strong local relationships with landowners, combined with detailed assessments of local market conditions.

We target locations based on the availability of land, housing market conditions and the likelihood of obtaining planning consent.

We continue to target a regionally balanced land portfolio with a supply of owned land of c. 3.5 years and a further c. 1.0 year of controlled land. Our target is for a shorter than sector average land bank reflecting our focus on ROCE and a fast build and sell model. At 30 June 2017 we achieved this target with a 4.5 year land supply (excluding JV's) comprising 3.5 years owned land and 1.0 years controlled land, with the owned land bank including land with both outline and detailed planning consents.

Land approved for purchase

	Year ended 30 June 2017	Year ended 30 June 2016
Total	£957.2m	£1,095.6m
Total (plots)	18,497	24,387

Our land bank

The transformation of our land bank from older, lower margin land to more recently acquired higher margin land has progressed well. As at 30 June 2017, 95% (30 June 2016: 93%) of our owned and controlled land is higher margin, newer land. On the 306 sites that we have acquired and completed since 2009 we have achieved an average site gross margin of 20.8%, and an average site ROCE of 35.7%, demonstrating sustained delivery above our hurdle rates on this more recently acquired land.

We maintained our progress in relation to strategic land where we see continued margin progression opportunities in the year. We approved the purchase of another 1,568 strategic acres in FY17. The planning environment remains positive for strategic land. This, together with the strong local relationships developed by our 24 divisions outside London, mean we continue to see many high quality strategic opportunities.

Whilst maintaining a first class operational land bank, we remain focused on securing a longer term land pipeline through the acquisition of strategic land options. In the year 6,757 plots (2016: 4,558 plots) were transferred from strategic land to our owned land bank and 25% of our completions (2016: 22%) during the year were on strategically sourced land, meeting our target.

We use land creditors to defer payments for land acquisitions where appropriate to drive a higher ROCE and as at 30 June 2017 the land creditor position totalled £1,064.0m (30 June 2016: £1,086.8m) representing 37% (30 June 2016: 38%) of the owned land bank. We are targeting land creditors at 30% to 35% of the owned land bank for June 2018.

Image removed

Preston Grange is a BFL. Outstanding development of three, four and five bed homes in Preston village, near Canterbury.

Effective planning permission

Bringing land through the planning system quickly and into production is important to support our business objectives. We support the work the Government is currently doing to speed up the planning process, in particular in relation to quicker resolution of planning conditions which can hold up progress. A faster planning process will enable housing supply to increase more quickly. The preparation of local plans will help us unlock strategic sites awaiting local plan adoption.

We have maintained good momentum in achieving planning consents and during the year we secured planning on 19,861 plots (2016: 20,249 plots). We now have full or outline planning permission in place for all of our expected completions in FY18 and 96.1% of expected completions in FY19.

Designing great places

Designing great places is fundamental to our business: our customers want to live in great places; the vendors of the land we purchase want to work with developers who leave behind a legacy of design quality and local people want developments that enhance their communities.

We are pleased to announce that 20 of our developments have achieved Built for Life, (BfL) accreditation this year. From the schemes awarded, 12 attained the highest accolade of BfL 'Outstanding', having fulfilled all 12 of the urban design criteria.

Our land bank

	30 June 2017	30 June 2016
Owned and unconditional land bank (plots)	58,965	53,849
Conditionally contracted land bank (plots)	16,078	17,502
Owned and controlled land bank (plots)	75,043	71,351
Number of years' supply based upon completions in the financial year	4.5 years	4.5 years
JV's owned and controlled land bank (plots)	5,709	5,309
Strategic land (acres)	11,737	11,709
Land bank carrying value	£2,895.6m	£2,880.2m

Image removed

Kingsbrook Village, Aylesbury awarded BfL Outstanding. This new development is pioneering a new nature friendly approach to creating a community. We are working closely with the RSPB to ensure that nature will thrive at Kingsbrook Village.

Building
excellence by

Leading construction

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The challenge

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

Strategic priority

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

Key highlights

Focused on a 'right first time' approach to drive operating efficiency

Long term relationships with suppliers and sub-contractors

Considering and implementing new construction methods where appropriate

KPI

Total completions including joint ventures (units)

17,395

Total completions including joint ventures units

17,395

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Target

Disciplined growth in completion volumes

Status: Achieved

Why we measure

Completions are an industry wide measure which reflects the level of activity and growth of the business.

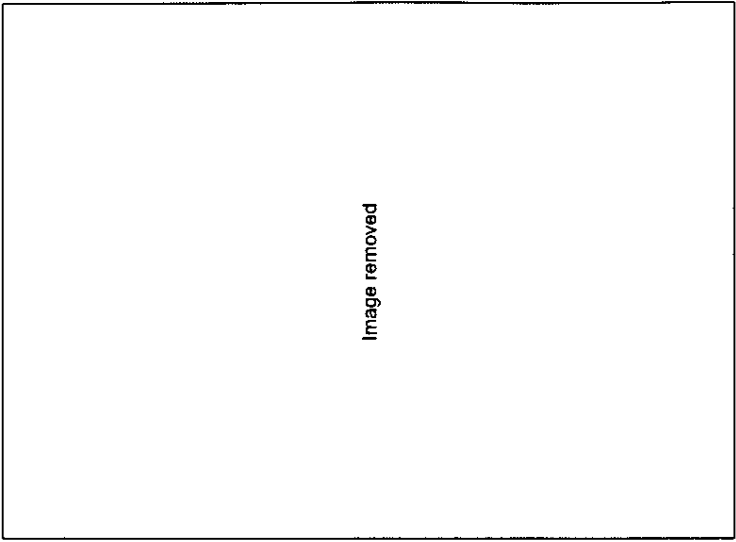
Objectives for FY18

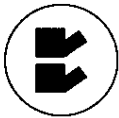
Modest growth in wholly owned completion volumes

Continue to lead the industry in site management

Complete modern method of construction ('MMC') trials

Continue to develop sustained business partnerships with suppliers and sub-contractors





We put customer satisfaction at the heart of our construction processes with a focus upon getting it right first time, which also drives operating efficiencies in the build process.

74

NHBC Pride in the Job Awards on our sites for 2017

Delivering high quality homes

We put customer satisfaction at the heart of our construction processes with a focus upon getting it right first time, which also drives operating efficiencies in the build process. We continue to lead the industry, winning 74 NHBC Pride in the Job Awards on our sites. This is the 13th consecutive year that we have won more of these awards than any other housebuilder, making us the clear industry leader in site management.

Innovating to improve efficiency

The majority of our homes are built with traditional brick and block construction, although we continue to increase the use of offsite construction on some of our sites. During the year we completed successful multi-site trials using a Large Format Block System which is more efficient to put together than traditional construction methods, reduces our reliance on certain sub-contractor trades and allows consistent flow of delivery. Following last year's small scale trial using Light Gauge Steel Frames, we have also commenced full trials during 2017. In addition, we have built 1,270 plots using timber frames during the year. We are constantly engaging with our suppliers to find, understand and consider innovative products and services that can be used to increase our efficiency onsite whilst still maintaining our high quality and customer satisfaction requirements.

Image removed

Cane Hill Park in Coulsdon, Surrey where we are trialling the use of Light Gauge Steel Frames in the construction of apartments and using timber frames in the construction of houses.

Partnering with our supply chain

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

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

We purchase substantial amounts of timber and have implemented a sustainable procurement and timber sourcing policy. Since December 2013, all timber and timber products that we purchase via group agreements are FSC/PEFC certified and originate from well managed forestry sources. Further information is available in the Group's Sustainability Report for 2017.

We are also researching smart technologies and their use in future homes to improve the ability of customers to save energy.

Large Format Block

SIG plc

We partnered with our supplier, SIG plc, on their Large Format Block System trial which is part of their 'SIG I House System', a large masonry solution which reduces the workload of the bricklayer and delivers speed benefits similar to our other offsite or panelised systems. The two key benefits to this system are that our sub-contractors are familiar with the traditional masonry of the solution and the 'I House' team deliver the wall, floor, roof and insulation as a holistic solution. We have trialled this approach on five sites and delivered 103 houses within our West Midlands and North Midlands divisions.

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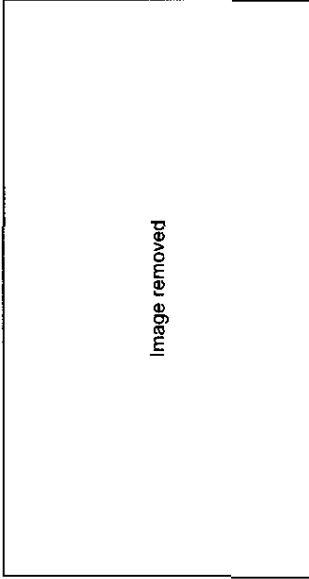
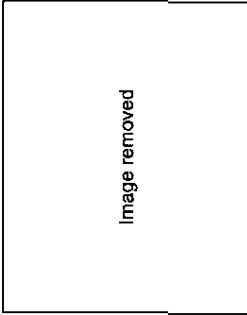
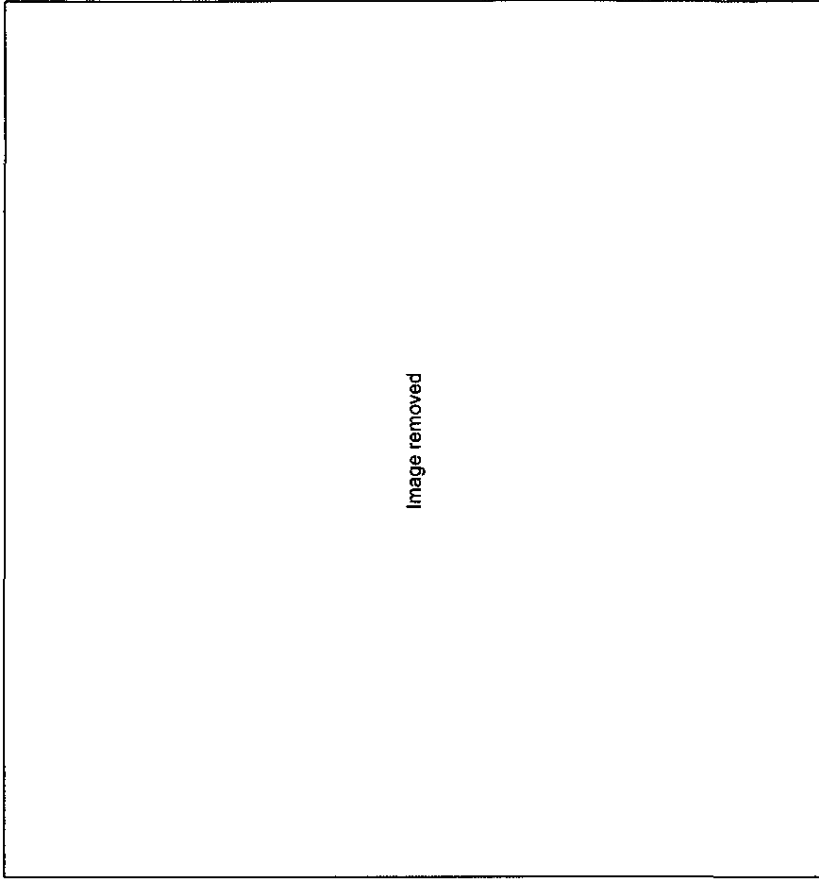
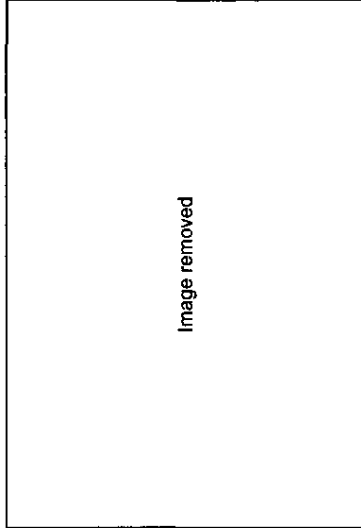
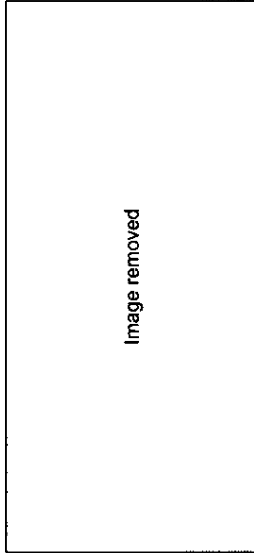
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Large Format Block being used in construction at our Longford Park development in Banbury, Oxfordshire.

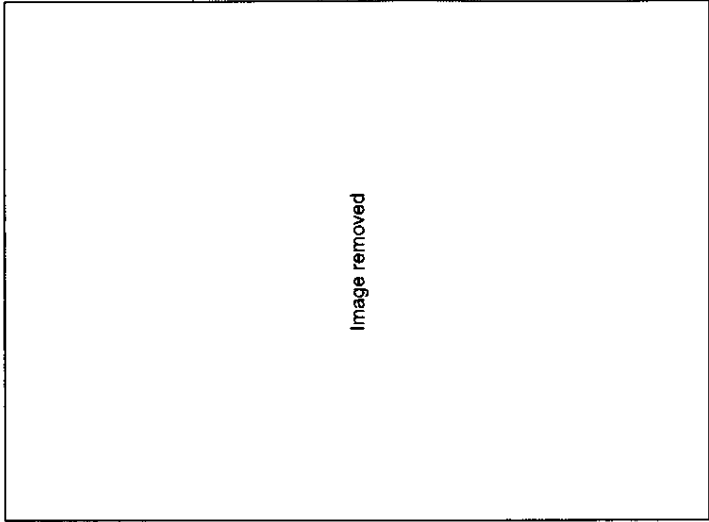
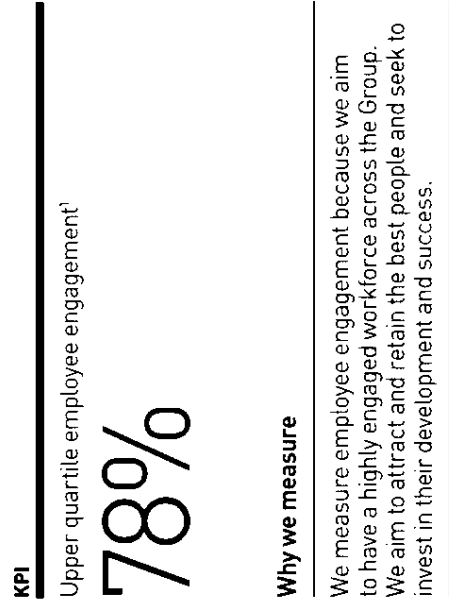
Building excellence by Investing in our people



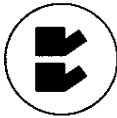
The challenge The building and construction industry continues to face a shortage of skilled workers and attracting and retaining the best people is a key priority for our business.	Key highlights Recruited over 979 graduates, apprentices and trainees including our intake for FY18 Maintained upper quartile performance in our engagement survey Delivered four and a half training days per employee Enhanced paid maternity and paternity entitlements	Objectives for FY18 Maintain upper quartile UK FTSE250 performance in our engagement survey Maintain an average of three training days per employee per year Maintain and seek to reduce staff turnover at or below 20%
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Strategic priority

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



Priorities and principles in action *continued*
Investing in our people



We continue to focus upon developing talent within our business, including succession planning, to ensure that we have the necessary skills within our business for continued operational delivery.

4.5

Training days per employee
(2016: 3.0 days)

184

Number of new apprentices, trainees, graduates and undergraduates during FY17

Employee retention

During the year, employee turnover increased by 1% to 18% (2016: 17%). There is significant demand and many opportunities for skilled employees elsewhere in the industry.

We therefore continue to focus upon developing talent within our business, including succession planning, to ensure that we have the necessary skills within our business for continued operational delivery, as well as focusing on remuneration and benefits to ensure retention measures are in place and are effective.

Talent of the Future

Through the continual running and focus on the quality of our ASPIRE graduate scheme, our construction degree run in partnership with Sheffield Hallam University and our Apprentice programme, we continue to offer a diverse range of options for graduates, apprentices and trainees through our Barratt Future Talent programmes. In response to the Government's Apprenticeship Levy scheme, we have worked with the HBF, Federation of Master Builders, and housebuilding peers on the trailblazer programmes to develop new apprenticeship standards for apprenticeship levels 3–6.

We have worked with our Apprentice champions to ensure our programmes deliver quality tradespeople. Our 12 month leaver completion rate continues to rise reaching 79% for the year compared to 58% in March 2016.

We have successfully trialled a programme which resulted in the recruitment of ex-forces personnel and a training programme to enable them to transition into site management. We have recruited 43 construction trainees via this route, some of whom had little or no construction experience and are proving to be outstanding leaders. We have invested in our employees, including recruiting 184 new apprentices, trainees, graduates and undergraduates in FY17, bringing our total investment in our Future Talent programmes for the past four years to 979 including our intake for FY18.

Image removed

Greig Mills (centre) with fellow ex-forces colleagues Ross Pearson and Ross Carey.

Ex-forces

Greig Mills

Greig Mills completed our dedicated ex-forces personnel training programme at the end of last year and is now working as an assistant site manager at Barratt Homes' Hawthorn Rise development in Newton Abbott. He said: "Forward-thinking companies like Barratt Homes really appreciate the skills that ex-forces personnel have. There are a lot of attributes you develop in the forces that translate well to the construction industry, like strong leadership, and it's a fun sector to be in."

The buzz you get from seeing the finishing touches go on a house is rewarding and it's great to do a job that has a physical aspect to it too." Greig found the training programme so good that he recommended it to his former colleagues from the Royal Marines, Ross Pearson and Ross Carey. Both were taken on by Barratt Homes in the latest wave of its training programme and are currently training to become assistant site managers.

Men and women employed

Mike Roberts Regional
Managing Director
Northern Region.

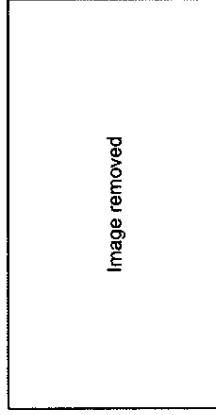


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Promoting from within

Mike Roberts

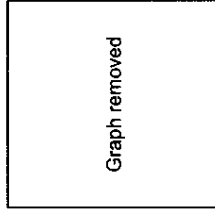
Mike had already gained considerable experience in the construction sector by the time he joined Barratt Developments PLC in 2004 as Commercial Director in Yorkshire East Division. He was later promoted to Managing Director for KingsOak, a new Barratt Division specialising in executive homes. After a number of key internal appointments, he became Managing Director for the North East Division.

Mike was involved in major change programmes early on in his career with the Group. He has continued to have some level of involvement more or less throughout all of his career here and is an important operational voice in supporting delivery of the current major programmes in the business.

He was promoted to Regional Managing Director for Northern Region in January 2017, a move which allowed him not only to take on a wider operational leadership role, but also bring his experience of change management to the fore, through greater involvement in our Business Excellence Programme.

PLC Directors

8

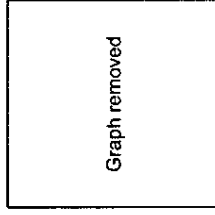


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	30 June 2017	30 June 2016
Men	42%	75%
Women	38%	25%
Men total	5	6
Women total	3	2

Senior Managers

281

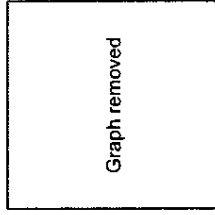


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	30 June 2017	30 June 2016
Men	87%	87%
Women	13%	13%
Men total	244	252
Women total	37	36

Employees

5,904

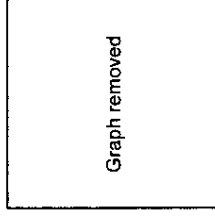


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	30 June 2017	30 June 2016
Men	69%	69%
Women	31%	31%
Men total	4,076	4,103
Women total	1,828	1,810

Executive Committee

6

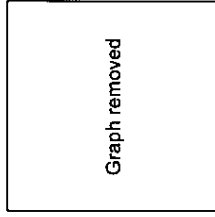


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	30 June 2017	30 June 2016
Men	67%	83%
Women	33%	17%
Men total	4	5
Women total	2	1

Reports to Executive Committee

29



Graph removed

	30 June 2017	30 June 2016
Men	72%	76%
Women	28%	24%
Men total	21	22
Women total	8	7

Equipping the business with the relevant skills

To ensure we continue to deliver results we need to enable us to successfully introduce and embed changes in our business, equipping our people with the skills to manage change successfully is a key priority for us. We have developed a Project and Change Management toolkit and development programme, which contains a series of tools and steps which we are now using to ensure a robust and reliable approach to managing projects. Around 30 people involved in our key business projects have taken part in workshops to date, which is supporting the changes we're making in our business.

Diversity and inclusion

We are committed to delivering our Diversity and Inclusion Strategy and we are working with a group of employee representatives as well as external consultants, drawing upon a major survey of our employees to inform our

activities. We have identified broad targets in areas such as gender, family, ethnicity, disability and sexual orientation/gender reassignment and our aim is to improve our diversity and inclusion in all of these areas in the next three years. Our senior managers have received awareness training and all colleagues will have access to Diversity and Inclusion training in the next year. We have reviewed our family friendly policies, updating our maternity, paternity, adoption and shared parental leave policies to provide enhanced benefits to employees who become parents. We recognise that flexible working can help us retain talented employees and can be particularly beneficial for those with caring responsibilities, so we are piloting a new flexible working approach in some of our divisions. As previously highlighted, in 2015, we successfully trialled a programme which resulted in the recruitment of ex-forces personnel.

The charts above show the number of men and women employed, as at 30 June 2017, across our business. Also shown is the split between men and women on the Executive Committee in line with the requirements of the Hampton-Alexander review.

The diversity policy relating to the appointment of PLC Directors is set out on page 64.

Human rights

We support the United Nations' Universal Declaration of Human Rights and have policies and processes in place to ensure that we act in accordance with our principles in relation to areas such as anti-corruption, diversity, whistleblowing and the requirements of the Modern Slavery Act 2015. Please refer to page 106 for further details.

Our principles

Keeping people safe

Our principle

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

KPI

Health and safety compliance rate 96% (2016: 96%)

Key highlights

Achieved target health and safety compliance rate

Reduction of 2% in reportable Injury Incidence Rate to 379 (2016: 385) per 100,000 employees including sub-contractors

The challenge and our response

Increased activity levels across the industry in terms of site openings and production volumes combined with shortages of skilled staff has contributed to an increased risk of accidents on sites. We maintain stringent safety standards and have a continuous focus on health and safety with all areas and levels of the business focusing upon it as their number one priority. Getting the basics right, good leadership, and commitment to health and safety from all levels of management is what delivers good health and safety performance in our business. Health and safety is our number one priority and our aim is to have an injury-free workplace. We believe all injuries are avoidable and while we recognise that entirely eradicating risk is difficult we are determined to improve our performance and reduce the number of injuries occurring in our working environment. Our Safety, Health and Environmental management system ('SHE') is subject to continuous review and improvement.

All of our trading divisions are certified to OHSAS 18001 and adhere to our SHE guidelines with their ongoing compliance being verified by a programme of internal and external audits. During the year, we carried out 6,990 (2016: 6,184) monitoring visits and achieved an average compliance rate of 96% (2016: 96%). Our overall aim is to have an injury free working environment, our objective for the year was to have an improvement in our reportable Injury Incidence Rate ('IIR'). During the year, our IIR decreased to 379 (2016: 385) per 100,000 persons employed (including sub-contractors). We have continued to operate our 5 Steps to Safety Campaign and during the year have reviewed and restructured our health and safety training strategy for employees at all levels within our business, in order to continue to seek to improve our performance.

Our site managers have again been successful at the NHBC Health and Safety Awards, achieving seven commendations and two going on to receive the highly commended status.

6,990

Monitoring visits
(2016: 6,184)

379

Injury Incidence Rate
(2016: 385)

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Being a trusted partner

Our principle

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

Key highlights

Continued to work with a variety of partners to bring forward land for development

Continued to invest in the relationship with our suppliers and sub-contractors

Introduction of supplier evaluation and development programme

The challenge and our response

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

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

We recognise that our suppliers and sub-contractors are critical to the delivery of our strategic objectives and we invest in our relationships with them. We hold an annual national supply chain conference, setting out strategic objectives and challenges.

We also hold regular review meetings with our suppliers, seeking to develop long term business relationships and a preferred customer status. We have recently introduced a new 'supplier evaluation and development programme', we believe the first of its type in the industry. This programme will be rolled out across our most important suppliers during 2017.

We work with our suppliers to help them to introduce the new technologies that we need to meet increasingly challenging building standards, improve build efficiency and address skills shortages. We also work with our sub-contractors to help them to improve their environmental and safety performance.

Image removed

Timber frame external wall panels being fixed into place at our Osprey Heights development in Inverurie, Aberdeenshire.

Our principles continued

Building strong community relationships

Our principle

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

Key highlights

- Contributed £3.3bn of Gross Value Added to the UK economic output
- Won 56 Built for Life accreditations for excellence in community design
- Raised over £1.1m for national and local community charities

53,400

Jobs supported in FY17

The challenge and our response

We don't just build homes, we build communities. To enable this to happen we put great emphasis on building relationships with existing communities, making sure they are involved and fully engaged in what we are doing. We deliver substantial benefits to local communities. This year we provided 3,087 school places and funded more than 40 sports, leisure, health and youth facilities. By building communities, homes and local infrastructure we are also supporting thousands of jobs. This year through direct, indirect and induced employment we supported more than 53,400 jobs and contributed some £3.3bn of Gross Value Added to the UK's economic output.

Equally important is to have strong relationships with landowners and local authorities. In combination with close community involvement, it means that 95% of our homes are consented locally without planning appeals. This success is built on comprehensive local consultation whereby the focus is always on listening, the whole of the community is invited to participate and public exhibitions are held at times when people can attend so we can secure the widest possible range of views.

Part of building strong communities is the care we put into designing them from the outset. By creating great places that leave a legacy for future generations we enhance communities for years to come. This can be seen in the success we have had with the industry design standard Building for Life 12. These principles are designed to give the home buyer confidence that important design elements have been checked during the planning process. Currently we have won 56 Built for Life accreditations, which is more than every other housebuilder combined.

Image removed

Our Mercia division has recently opened a community building at its Baggeridge Village development in Sedgley. The community building is being used as a workshop for the Wolverhampton and District Model Engineering Society which operates a miniature railway in Baggeridge Country Park for visitors.

Schools are the future of a community which is why we work closely with them on a range of initiatives. We recently launched a new health and safety programme for schools designed to highlight the hazards of construction sites, with tailored resources for both teachers and pupils. We also support communities through charitable donations and fundraising for local initiatives. Around the country our 27 divisions, commercial developments business and Group support functions have worked hard raising money for chosen charities, from traditional sports dinners and

blind auctions, to golf days, sponsored walks and even an afternoon tea on the Queen's birthday. The Barratt Charity Plan allows any fundraising for a chosen charity to be matched by up to £10,000. Barratt has also made several donations in response to emergencies throughout the year, giving money to support victims of the Croydon tram crash, the terrorist attacks in London and Manchester and the Grenfell Tower fire. This has meant that overall the Group has raised over £1.1m for national and local community charities.

Safeguarding the environment

Our principle

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

Key highlights

Reduced gross tonnage of construction waste by 15,160 tonnes in 12 months

We have reduced waste intensity by 13%¹ compared to 2015, achieving our 2020 target three years early

95% of construction waste segregated onsite for recycling [2016: 95%]

Carbon intensity reduced by 3% to 2.17 tonnes CO₂ per 1,000 sq. ft. [2016: 2.23 tonnes]

51% of new developments have a biodiversity action plan [2016: 30%]

The challenge and our response

As the demand for new housing increases, we recognise the need for our business to become more resource and energy efficient and to produce less waste and generate fewer carbon emissions. With less available brownfield plots to build on [brownfield completions reduced by 7% on 2016], there is a need to protect and enhance biodiversity on developments. All of our divisions are certified to ISO 14001, the environmental management standard.

Designing out construction waste

We have successfully reversed a trend in rising construction waste intensity – the amount we create for each 1,000 sq. ft. built on construction sites. This has been achieved through prioritising waste tonnage reduction, in partnership with our waste management contractor, and identifying ways to design out waste, in addition to continued rigour on waste segregation and recycling.

By completing a study to determine the root cause of waste, at our Saxton Gate site, York, we have identified further opportunities for improvement in the years ahead.

We segregate waste for recycling as standard across our sites and have achieved a recycling rate of 95% [2016: 95%] for the year.

Being energy efficient and reducing emissions

Our direct and indirect operational greenhouse gas emissions are shown in the table. This is based on the energy used in our offices, on our live developments and for business travel. We are now reporting a market-based figure for Scope 2 emissions² – this shows carbon dioxide equivalent emissions based on the generation mix of our specific electricity suppliers.

Greenhouse gas emissions ¹ [tonnes CO ₂ e]	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015
Scope 1 emissions	20,772	20,211	18,224
Scope 2 emissions	9,138 (Market based: 6,299)	10,804	11,843
Scope 3 emissions	9,665	9,303	9,150
Total	39,575 (Market based: 36,736)	40,318	39,217
Tonnes of emissions per 1,000 sq. ft.	2.17 (Market based: 2.01)	2.23	2.36

Our operational greenhouse gas emissions have reduced to 2.17 (2016: 2.23) tonnes of emissions per 1,000 sq. ft. this year. We continue to drive awareness of energy efficiency and carbon reduction, seeking to continuously improve performance across our business.

Enhancing habitats, biodiversity and local environments across our developments

We are partnering with CIRIA to draft guidance on the good practice principles for Biodiversity Net Gain. We released our 'Growing with Nature' landscaping and planting guide drafted in partnership with RSPB, which helps ensure that biodiversity is considered from project inception through to completion. We have continued our unique national partnership with the RSPB, the UK's largest nature conservation charity. During the year within our developments, 430 (2016: 521) hectares of open space were created and 617,708 (2016: 638,136) trees or shrubs were planted or retained.

Image removed

1. Measured in tonnes per 1,000 sq. ft. Target is to reduce construction waste intensity by 10% by 2020 against a 2015 baseline.

2. In line with the revised Greenhouse Gas Reporting Protocol we are reporting Location based and Market Based Scope 2 electricity data. Market based data is based on the actual electricity generation source. Location based refers to the average grid electricity carbon emissions equivalent.

3. Greenhouse gas emissions are reported in line with UK Government's Environmental Reporting Guidelines, including mandatory greenhouse gas emissions reporting guidance (dated June 2013) and has used the greenhouse gas (GHG) emission factors outlined in the DECC UK Government conversion factors for Company Reporting (Version 1 June 2016). We measure Scope 1 fuel combusted on our sites, offices and company owned vehicles, plus refrigerant losses; Scope 2: Purchased electricity for our sites and offices; Scope 3: business travel by air, rail and air and office and site electricity transmission and distribution losses.

As part of our partnership with the RSPB and one of our suppliers we have created a new swift nest box in a brick format which offer a safe nesting space for swifts and house sparrows. The first of these swift bricks have just been fitted at our Kingsbrook development in Aylesbury.

Our principles *continued*

Ensuring the financial health of our business

	2017 £m			2016 £m		Notes
	Housebuilding	Commercial	Total	Housebuilding	Commercial	
Adjusted gross profit	927.2	13.6	940.8	-	-	
Gross profit	927.2	4.8	932.0	792.0	8.4	800.4
Profit from operations	797.8	1.4	799.2	662.4	6.0	668.4
Share of post-tax profit/(loss) from joint ventures and associates	24.5	(0.9)	25.6	72.4	(0.3)	72.1
Net finance costs	-	-	(59.7)	-	-	(58.2)
Profit before tax	-	-	765.1	-	-	682.3
Tax charge	-	-	(149.1)	-	-	(132.0)
Profit after tax	-	-	616.0	-	-	550.3

Net cash interest cost for the year was £24.3m (2016: £24.1m), net non-cash interest was £35.4m (2016: £34.1m). The main component of net non-cash interest relates to the unwind of the discount factor from deferred land creditors.

The highest profit the Group has ever achieved. This was driven by growth in gross margin.

The rate of tax assessed for the year of 19.5% (2016: 19.3%) is slightly below the standard effective rate of corporation tax of 19.75% (2016: 20%) mainly due to land remediation relief and the tax rate reduction on deferred tax.

Our performance

20.2%

Housebuilding gross margin

2.7ppts

Improvement in ROCE to 29.8%

11.3%

Increase in earnings per share

35.8%

Increase in total dividend per share (proposed) to 41.7 pence per share (including special dividend) for the financial year

Our principle

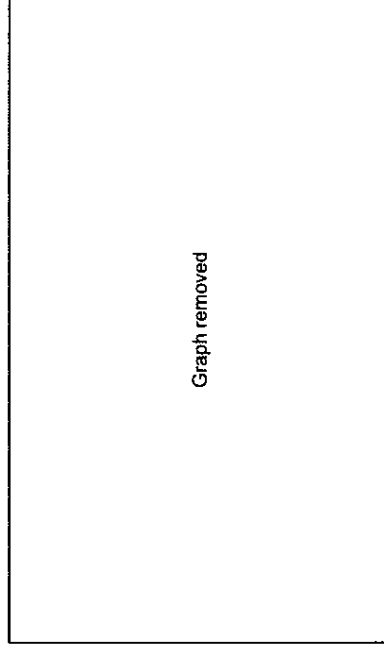
Our people take individual responsibility appropriate to their level of seniority for driving the financial management and performance of the business. We maintain financial discipline across all aspects of our operations.

KPI

Adjusted gross margin 20.2% (2016: 18.9%)
Adjusted profit before tax £773.9m (2016: £682.3m)
Return on capital employed 29.8% (2016: 27.1%)
Year end net cash £723.7m (2016: £592.0m)
Earnings per share 61.3 pence (2016: 55.1 pence)
Total shareholder return for the three years ended 30 June 2017 81.3% (three years ended 30 June 2016: 88.7%)

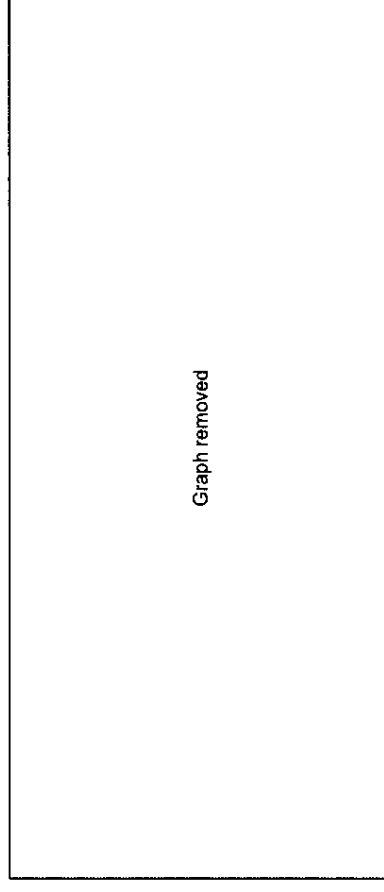
Key highlights

Continued focus on improving operating margin with housebuilding operating margin increasing by 1.6 ppts to 17.4%
Achieved our targets set in 2014 of at least 20% gross margin and at least 25% ROCE
Maintained an appropriate capital structure



Graph removed

- ① Profit from operations
- ② Net cash interest and tax
- ③ Other non-cash and working capital
- ④ WIP/Part-exchange
- ⑤ Land
- ⑥ Land creditors
- ⑦ JV investment
- ⑧ Operating cash inflow
- ⑨ Dividends
- ⑩ Other investing and financing
- ⑪ Net cash inflow



Graph removed

Return on capital employed

The Group's fast build and sell model, supported by a relatively short consented land bank, deferred payment terms, high levels of standard product, and the ability to sell through our David Wilson Homes and Barratt brands on larger sites, is focused on driving ROCE.

For FY17 ROCE increased by 2.7 ppts to 29.8% (2016: 27.1%). This growth benefited from rates of profit growth continuing to grow ahead of working capital growth rates and a continued reduction in our legacy assets, including the disposal of our investment in a portfolio of non-current available for sale loans previously held in a joint venture.

Net cash and capital structure

We maintain an appropriate capital structure, with land and long term work in progress funded by shareholders' funds and land creditors, and with net cash at our year end. During the year we generated £388.6m (2016: £652.9m) of cash inflow from operating activities and £65.9m (2016: £12.7m) of cash inflow from investing activities. This was in part applied to £428.1m (2016: £268.0m) of financing activities: of which £321.7m (2016: £263.2m) related to dividends paid during the year. Together with opening cash of £758.0m, the Group's net cash increase in the year of £26.4m led to closing cash of £784.4m and net cash at 30 June 2017 of £723.7m (2016: £592.0m). At 30 June 2017 land creditors were 37% (2016: 38%) of the owned land bank.

As we make scheduled payments on agreed new land and build work in progress to deliver spring 2018 completions, we expect net cash at 31 December 2017 to be in line with normal seasonal trends (31 December 2016: £196.7m). It remains our objective for FY18 to maintain an appropriate capital structure with year end net cash and land creditors at 30% to 35% of the owned land bank.

Capital Return Plan

The Board proposes to pay a final ordinary dividend of 17.1 pence (2016: 12.3 pence) per share for the financial year ended 30 June 2017, which subject to shareholder approval, will be paid on 20 November 2017 to shareholders on the register at the close of business on 27 October 2017. Together with the interim ordinary dividend of 7.3 pence per share, which was paid in the year, this gives a total ordinary dividend for the year of 24.4 pence per share (2016: 18.3 pence per share).

The ordinary dividend was covered around two and a half times by basic earnings per share. Under the special cash payment programme the Board is proposing a payment of £175.0m (17.3 pence per share), which subject to shareholder approval, will be paid by way of a special dividend on 20 November 2017 to shareholders on the register at the close of business on 27 October 2017. The Board anticipates a further payment of £175.0m to be proposed with our FY18 results payable in November 2018.

In total, the Capital Return Plan is expected to return around £1.4bn of cash through ordinary dividends (based on consensus earnings) and special dividends to the Company's shareholders over the four years ending November 2018 of which £632.4m has already been paid.

Risk management

Effective risk management is fundamental to the achievement of our strategic objectives. Risk management controls are integrated into all levels of our business and across all of our operations. We continually monitor and manage our exposure to risk and seek to ensure that risks are appropriately mitigated in order to deliver our strategy.

Roles and responsibilities

The Board is responsible for the overall stewardship of our system of risk management and internal control. It has undertaken a robust assessment of the principal risks in our business and has established the appropriate level of risk that is acceptable in the pursuit of our strategic objectives and has set appropriate policies to govern this. The Board, as part of its regular risk assessment procedures also takes into account the significance of environmental, social and governance matters to the business of the Company. Based on the regular and adequate information provided to the Board on such matters, it identified and assessed the significant risks to the Company's short and long term value as well as potential opportunities to enhance value that may arise from an appropriate response to matters. It has also set delegated authority levels to provide the executive framework for assessing risks and ensuring that they are escalated to the appropriate levels of management, including up to the Board where appropriate, for consideration and approval. The roles and responsibilities of the Board, its committees and all levels of management from a risk management perspective are summarised on this page:

Board				
Overall responsibility for corporate strategy, governance, performance, internal controls and risk management				
Defines the Group's appetite for risk and monitors risks to ensure they are effectively managed, including agreeing actions where necessary				
Icon removed				
Audit Committee	Nomination Committee	Remuneration Committee	Safety, Health and Environment Committee	Disclosure Committee
Reviewing the effectiveness of internal controls, including systems to identify, assess and monitor risks	Ensuring an appropriate balance of skills, knowledge and experience on the Board	Assessing the appropriateness of the remuneration of Executive Directors and Senior Management	Responsibility for the stewardship of safety, health and environmental performance	Responsible for ensuring that the Company remains compliant with the requirements of the Market Abuse Regulation
Icon removed				
Executive Committee				
Monitoring business and operational performance and changes in key risks facing the business and providing regular reports to the Board				
Responsible for ensuring that the risk management policy is implemented and embedded within the business and appropriate actions are taken to manage risks				
Icon removed				
Operations Committee	Risk Committee	Treasury Operating Committee	Land Committee	Health and Safety Operating Committee
Reviewing regional operating performance	Consideration of identified risks and their mitigation Identification of new and emerging risks	Management of liquidity and counterparty risk and ensuring that treasury policies are implemented and embedded within the business	Reviewing and authorising all proposed land acquisitions to manage land acquisition risk	Reviewing the effectiveness of health and safety policies and establishing controls and procedures to manage these risks
Icon removed				
Regional and Divisional Management				
Responsible for risk identification, management and control within their region or division				
Icon removed				
Site Management				
Maintaining an effective system of risk management and internal control at their site including construction risks, sub-contractor risks and health and safety				

Why and how our risks change

The principal risks identified either separately or in combination could have a material adverse effect on the implementation of the Group strategy, our business, financial performance, shareholder value and returns and reputation.

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

The Group is committed to safeguarding the environment in which it operates and assesses climate change risks as set out in our Climate Change Policy online and our annual submission to the Carbon Disclosure Project.

Principal risks probability assessment

Whilst the principal risks for the Group related to the execution of its business strategy have not fundamentally changed, the likelihood of the risk factors occurring can change.

The diagram on this page shows the estimated likelihood of each principal risk following our risk mitigation review and strategies implemented in both 2016 and 2017.

The principal risks the Group has identified are not listed by order of importance and the illustration on the probability does not consider the relative size of any associated financial or reputational impact of each item.

	2017				2016		
	Low	Medium	High		Low	Medium	High
(A) Economic environment, including housing demand and mortgage availability			✓				✓
(B) Land purchasing		✓				✓	
(C) Liquidity	✓					✓	
(D) Attracting and retaining high-calibre employees			✓				✓
(E) Availability of raw materials, sub-contractors and suppliers			✓				✓
(F) Government regulation and planning policy		✓				✓	
(G) Construction and new technologies		✓				✓	
(H) Joint ventures and consortia		✓				✓	
(I) Safety, health and environmental		✓				✓	
(J) IT		✓				✓	

Risk management *continued*

Principal risks

Risk	(A) Economic environment, including housing demand and mortgage availability	(B) Land purchasing	(C) Liquidity	(D) Attracting and retaining high-calibre employees	(E) Availability of raw materials, sub-contractors and suppliers
Potential impact	Changes in the UK and European macroeconomic environments, including but not limited to, flat or negative economic growth, inflation, interest rates, buyer confidence, mortgage availability, Government backed schemes, competitor pricing, falls in house prices or land values, may lead to a falling demand or lower price achieved for houses, which in turn could result in impairments of the Group's inventories, goodwill and intangible assets.	The ability to secure sufficient consented land and strategic land options at an appropriate cost and quality to provide profitable growth.	Unavailability of sufficient borrowing facilities to enable the servicing of liabilities (including pension funding) and the inability to refinance facilities as they fall due, obtain surety bonds, or comply with borrowing covenants. Furthermore, there are risks from management of working capital such as conditional contracts, build costs, joint ventures and the cash flows related to them.	The ability to recruit and/or retain employees with the appropriate skills or sufficient numbers of such employees.	Shortages or increased costs of materials and skilled labour; the failure of a key supplier or the inability to secure supplies upon appropriate credit terms could increase costs and delay construction.
Mitigation	➤ Board, Executive Committee, regional and divisional management reviews ➤ Quarterly site valuations ➤ Comprehensive sales policies and regular review of pricing, local markets and developing good working relationships with mortgage lenders	➤ All potential land acquisitions are subject to formal appraisal and approval by the Land Committee ➤ Group, regional and divisional review of land currently owned, committed and identified against requirements	➤ Committed bank facilities and private placement notes of around £900m with maturity on the RCF in 2027 and the private placement notes in 2027 ➤ Regular forecasts of working capital and cash requirements and compliance with banking covenants ➤ Policy requiring minimum headroom of £150m of drawings against committed facilities	➤ Comprehensive Human Resources programme including apprenticeship schemes, a graduate development programme, succession planning and training academies tailored to each discipline ➤ Ongoing monitoring of employee turnover and absence statistics and feedback from exit interviews ➤ Annual employee engagement survey to measure employee satisfaction ➤ Remuneration benchmarking against industry competitors	➤ Centralised team procures the majority of the Group's materials from within the UK including sub-contractor materials, ensuring consistent quality and costs ➤ Seek to establish and maintain long term supplier and sub-contractor partnerships with all of our significant supply agreements fixed in advance, usually for 12 months ➤ Establishing a key supplier audit programme to assess risks to the reliability of supply continuity ➤ Group policies include tendering, the requirement for multiple suppliers for both labour contracts and material supplies and establish contingency plans should any key supplier fail
The opportunity	The majority of our customers require mortgages to purchase their new home. Buyer confidence, the availability of mortgages and mortgage interest rates are affected by the economic environment.	Securing more sites that at least meet our hurdle rates of a minimum 20% gross margin and 25% site ROCE will enable disciplined volume growth.	Availability of sufficient committed and surety facilities ensures that the Group can manage changes in the economic environment and take advantage of appropriate land buying and operational opportunities to help deliver sustainable shareholder value.	Development of skilled employees is critical to deliver the Group's strategy of disciplined growth, improving key financial metrics through a focus on efficiency and the continued delivery of attractive cash returns.	Maintaining sufficient material and skilled sub-contractor availability will enable disciplined volume growth.
Business model link	① ③ ④	① ③	①	① ② ③ ④ ⑤	③ ⑤

Principal risks

Risk	(F) Government regulation and planning policy	(G) Construction and new technologies	(H) Joint ventures and consortia	(I) Safety, health and environmental	(J) IT
Potential impact	Inability to adhere to the increasingly stringent and complex regulatory environment, including planning and technical requirements and time taken to obtain planning approval affects the housing market and generally the regulatory requirements.	Failure to identify and achieve key construction milestones, due to factors including the impact of adverse weather conditions, identify cost overruns promptly, design and construction defects, and exposure to environmental liabilities, which could delay construction, increase costs, reduce selling prices and result in litigation and uninsured losses. There are also risks associated with climate change and the use of new technology in the build process e.g. materials related to carbon reduction.	Large development projects, some of which involve joint ventures or consortia arrangements and/or commercial developments, are complex and capital intensive and changes may negatively impact upon cash flows or returns	Health and safety or environmental breaches can result in injuries to employees, sub-contractors and site visitors, causing potential reputational damage, criminal prosecution and civil litigation, delays in construction or increased costs.	Failure of any of the Group's IT systems in particular those relating to surveying and valuation, could adversely impact the performance of the Group.
Mitigation	➤ Considerable in-house technical and planning expertise focused on complying with regulations and achieving implementable planning consents that meet local requirements ➤ Robust and rigorous design standards for the homes and places we develop ➤ Policies and technical guidance manuals for employees on regulatory compliance and the standards of business conduct expected ➤ Consultation with Government agencies, membership of industry groups to help understand and monitor proposed regulation change	➤ Executive Committee, regional and divisional reviews and quarterly site valuations ➤ Continuous review of MMC and the quality of materials which are evaluated by external and internal technical experts, including the NHBC, to ensure compliance with all building and other regulations ➤ Monitoring and improving environmental and sustainability impact of construction methods and materials used ➤ Maintenance of appropriate insurance cover	➤ All potential joint ventures are subject to formal appraisal and approval by the Group's Land Committee and the Board ➤ Once operational, the performance of joint ventures and consortia are subject to regular review	➤ Internally resourced health and safety team ➤ Regular health and safety monitoring by our in-house team, internal and external audits of all operational units and regular Senior Management reviews of developments ➤ Continual reinforcement of Group health and safety and environmental policies and procedures ➤ Dedicated SHE Board and Operations Committees which review key performance indicators, improvement plans and reinforce the importance of health, safety and environmental compliance	➤ Centrally maintained IT systems ➤ Fully-tested disaster recovery programme ➤ Regular reviews to seek to reduce the risk of successful cyber-attacks ➤ Working with external specialists and consultants on a detailed GDPR compliance programme
The opportunity	Securing sufficient, appropriate planning permissions upon new sites will enable the Group to deliver disciplined volume growth.	Assessing of MMC and implementing where appropriate to reduce the risks inherent in the construction process and to help address the shortage of skilled employees and sub-contractors.	Securing more joint venture sites that at least meet our hurdle rates enables disciplined volume growth and engaging with joint ventures to assist in reducing and sharing risks on complex, capital intensive, bespoke and commercial developments.	Continue to prioritise and focus upon health and safety to seek to reduce injury rates and manage the risks inherent in the construction process.	Improve integration of IT systems to enhance business control and drive efficiency.
Business model link	(1) (2)	(2) (3)	(1) (3)	(2) (3)	(1) (2) (3) (4) (5)

- 1 Targeted land buying and effective planning.
- 2 Outstanding design.
- 3 Construction excellence and efficiency.
- 4 Innovative sales and marketing.
- 5 Industry leading customer experience.

New risks	
No new principal risks have emerged during the financial year	
Increased risk profile	
None	Why? n/a
Decreased risk profile	
(C) Liquidity	Why? The Group's average level of debt has continued to decrease during the financial year, and in December 2016 the Group extended its £700.0m revolving credit facility to 2021. The Group entered into a new fixed rate £200.0m US private placement on 22 August 2017.

Viability Statement

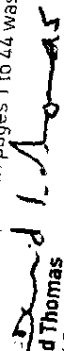
In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the Directors have assessed the prospects and financial viability of the Group, taking into account both its current position and circumstances, and the potential impact of its principal risks. The Directors consider that a three year period is appropriate for this assessment.

The Group's objective is for a shorter than sector average land bank reflecting its focus on return on capital and a fast build and sell model. Our target is a regionally balanced land portfolio with a supply of owned land of c. 3.5 years and a further 1.0 years of controlled land. Accordingly, we consider it appropriate that our viability review period is broadly aligned with the expected longevity of our owned land supply.

By using a three year timeframe, the Viability Statement review period is also aligned with the Group's bottom up three year planning and forecasting cycle, during which a wide range of information relating to present and future business conditions is considered, including those impacting on expected profitability, cash flows, and funding requirements.

The Group considers it is subject to a number of principal risks (as set out in more detail in pages 42 to 43, and its Viability Statement review considers the impact that these risks (particularly those related to the economic environment and liquidity) might have on its ability to meet its targets. This is undertaken through the performance of sensitivity testing, using appropriately challenging scenarios which reflect severe but plausible impacts based on current market conditions and applying estimates for the impact of these risks to ensure that the quantified mitigation actions available to it are sufficient. This process involves consideration of the impact of our chosen scenarios on key business drivers, including the volume of legal completions achieved, average selling prices and build costs. Several scenarios are modelled to ensure that the Board can carefully evaluate the range of plausible outcomes being assessed and mitigation factors are based on those identified and successfully deployed during the previous downturn in 2007-2008 following the credit crisis. 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 this three-year period.

The Strategic Report on pages 1 to 44 was approved by the Board and is signed on its behalf by:


David Thomas
Chief Executive

5 September 2017

Managing risk – availability of raw materials, sub-contractors and suppliers

Housebuilding is a long term business and the development of sustained business partnerships with suppliers and sub-contractors is critical to our success. The failure of a key supplier in our supply chain or the inability to secure supplies when they are required, could increase costs and delay construction. The risk to our supply chain is categorised into three principal areas: commercial risk, continuity of supply risk and reputational risk.

The commercial risk relates to the risk of increasing cost inflation in our supply base. The Group manage this risk by implementing Group-wide supply arrangements for key raw materials required in the construction process. Such arrangements allow us to ensure the continuity of our supplies as well as maximising the leverage of our market position. The Group have long term trading relationships with our suppliers, and with a centralised procurement team invest in those relationships through constant engagement. This promotes stability in our supplier base and a degree of certainty of the supply of raw materials as well as ensuring the costs of supplies remain competitive. The Group perform benchmarking on market prices to identify and continually strive on areas for improvement in our supply chain. We are developing market intelligence on commodity prices to ensure we continue to plan and react appropriately to potential future cost increases in our raw materials in the short to medium term. Continuity of supply relates to risk of the availability of raw materials, suppliers and sub-contractors when the business requires them. We recognise that our suppliers and sub-contractors are critical to the delivery of our strategic objectives. The Group works with suppliers to ensure that we are sourcing the most sustainable products and services, in order to maintain the high quality build standards required for the longer term.

We are the industry leader in sharing information on our production programme with our supply chain. This enables suppliers to plan accordingly, well in advance, to meet our demand and their capacity. These relationships with suppliers

have been built up over a long period of working together as partners. Through our long term relationships, we aim to establish ourselves as the preferred customer with our suppliers. This constant focus on long term relationships means that we are able to benefit in periods of short term market supply shortage. We continually evaluate all of our supply markets in order to develop appropriate sourcing strategies for each of our supply inputs, be that single or multi supplier sourcing, to ensure we have the ability to meet construction demand across our business when required for each product or sub-contractor skilled trade.

During the year, the Group introduced a new, supplier evaluation and development programme, which we believe is the first of its type in the industry. This programme is used to assess the capability of our suppliers so that we can ensure continuity of supply over the medium term. This programme will be rolled out across our most important suppliers during the rest of 2017.

The failure of a key supplier, sub-contractor or the inability to source raw materials in our supply chain could impact the quality and/or timing of construction, which in turn could impact on our customer's experience of our product offering. We put customer satisfaction at the heart of our construction processes with a focus upon getting it right first time and have continued to be recognised as a 5 Star homebuilder by the HBF for eight consecutive years. We require all of our Group suppliers to be members of the Supply Chain Sustainability School developing sustainability knowledge and practices within our supplier base. The School provides a tailored self-assessment and action planning tool which identifies which sustainability issues suppliers should prioritise and supports suppliers in addressing these issues. Our supply chain is an extremely important part of our business and we recognise any failures in this area could present a reputational risk to the business which the Group needs to constantly stay alert to and manage accordingly.

Executive Committee

The Executive Committee consists of:

1 David Thomas Chief Executive Officer See page 46.	and previously held senior HR roles at Celtesio AG and Wickes. Rob is also a member of the CITB Council.
2 Steven Boyes Deputy Chief Executive and Chief Operating Officer See page 46.	5 Jeremy Hipkiss Group Sales and Marketing Director Jeremy is responsible for the Group's overall sales, marketing and customer experience strategy and delivery. In addition to these responsibilities Jeremy has executive responsibility for IT and our business improvement programme, Building Excellence.
3 Jessica White Chief Financial Officer See page 46.	Career and experience Jeremy joined the Group in 2008 and has wide experience in marketing and retail operations. Jeremy 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.
4 Rob Tansey Group HR Director Rob has responsibility for the Group's human resources strategy including recruitment, remuneration and benefits, talent and performance management and training and development programmes.	6 Tina Bains Company Secretary See page 47.

Regional Managing Directors

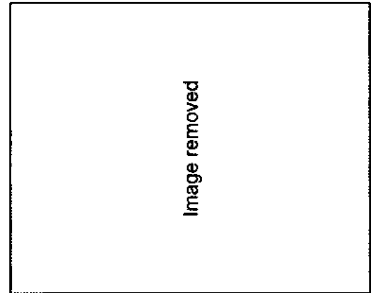
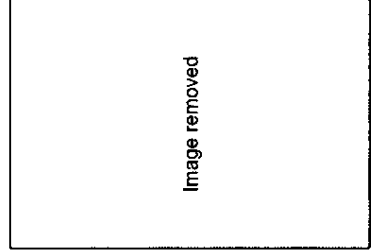
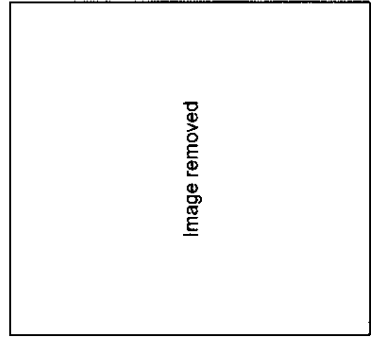
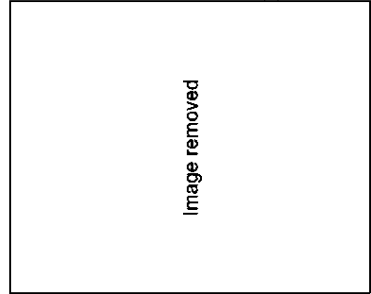
The Group operates through six geographic housebuilding regions and a commercial division, each of which has a Managing Director as follows:

7 Doug McLeod Regional Managing Director, Scotland Doug is responsible for the Group's operations in the Scotland Region which consists of three divisions. 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.	9 Bernard Rooney Regional Managing Director, Central Bernard is responsible for the Group's operations in the Central Region which consists of five divisions. In addition, he heads up Barratt Partnerships which is responsible for identifying and securing public land and partnering opportunities. Career and experience Bernard joined the Group in 1981. Formerly Managing Director of Barratt Newcastle, he was appointed to his current position in July 2010.	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.	Career and experience Gary joined the Group in 1995, Formerly Managing Director of Barratt North London he was appointed Regional Managing Director Southern in January 2006 and his current role in October 2016.
8 Mike Roberts Regional Managing Director, Northern Mike is responsible for the Group's operations in the Northern Region which consists of four divisions. He is also responsible for the Group's commercial 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.	10 Richard Brooke Regional Managing Director, East Richard is responsible for the Group's operations in the East Region which consists of five divisions. He is also responsible for the Group's procurement function.	11 Chris Burton Regional Managing Director, West Chris is responsible for the Group's operations in the West region which consists of four divisions. Career and experience Chris joined the Group in 1985. Formerly Managing Director of Barratt Yorkshire West, he was appointed to his current role in July 2012.	13 Nick Richardson Managing Director, Wilson Bowden Developments Nick is responsible for the commercial business, Wilson Bowden Developments. Career and experience Nick joined Wilson Bowden plc in 1991 and was appointed to his current role in 1999. Nick joined the Group in 2007 following the acquisition of Wilson Bowden plc. Nick is a Chartered Surveyor.

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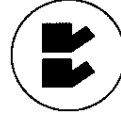
The Board

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John Allan Non-Executive Chairman	David Thomas Chief Executive	Steven Boyes Deputy Chief Executive and Chief Operating Officer	Jessica White Chief Financial Officer	Richard Akers Senior Independent Director
Appointment to the Board: John joined the Board as a Non-Executive Director on 1 August 2014 and became Chairman on 12 November 2014. Committee membership: Chairman of the Nomination Committee and a member of the Remuneration Committee. Career and experience: John brings a broad range of business and retail experience to the Board. He is Chairman of Tesco PLC and London First. He is a Non-Executive Director of Worldpay plc, a regent of the University of Edinburgh and will be a board member and Vice President of the CBI with effect from 1 October 2017. Previously John was Chairman of Dixons Retail plc until its merger with Carphone Warehouse Group plc. He then became Deputy Chairman of the combined business, Dixons Carphone plc, until 2015. He was also a Non-Executive Director of Royal Mail PLC (2013-2015), National Grid plc (2005-2011), 3i plc (2009-2011) and of various other public companies in the UK, Germany and Denmark. His other previous appointments also include CFO of Deutsche Post until 2009 and Chief Executive of Exel plc until 2005.	Appointment to the Board: David joined as an Executive Director and Group Finance Director on 21 July 2009 and was appointed Chief Executive on 1 July 2015. During the period 19 January 2017 to 22 June 2017, David also held the position of Chief Financial Officer. Committee membership: Member of the Disclosure Committee and member of the Nomination Committee until 30 June 2017. Career and experience: David brings a wealth of financial and leadership experience acquired over a number of years in senior positions. He is an Associate of the Institute of Chartered Accountants in England and Wales. He was formerly Group Finance Director and Deputy Chief Executive of The GAME Group plc (2004-2009). Before that he was the Group Finance Director at Millennium and Copthorne Hotels plc (1998-2004) and held senior financial roles with House of Fraser plc and Forte plc.	Appointment to the Board: Steven joined the Board as an Executive Director on 1 July 2001 and subsequently Chief Operating Officer on 5 July 2012. He became Deputy Chief Executive on 24 February 2016 and is responsible for the Group's housebuilding operations. Committee membership: Member of the Safety, Health and Environment Committee. Career and experience: Steven became a trustee of the UK Green Building Council in September 2015. He has over 39 years' experience in the housebuilding industry having joined Barratt in 1978 as a junior quantity surveyor and progressing through the business to assume the roles of Technical Director and Managing Director of Barratt York before being appointed Regional Director for Barratt Northern in 1999.	Appointment to the Board: Jessica joined the Board as an Executive Director and Chief Financial Officer on 22 June 2017. Committee membership: Member of the Disclosure Committee. Career and experience: Jessica brings a wealth of financial experience to the Board. She joined the Group in 2007 as Head of Financial Accounting and was promoted to Group Financial Controller in 2010. Prior to this, Jessica held various positions at Wilson Bowden plc (2005-2007) and PricewaterhouseCoopers LLP (2000-2005). Jessica is a member of the Institute of Chartered Accountants of Scotland.	Appointment to the Board: Richard joined the Board as a Non-Executive Director on 2 April 2012 and became Senior Independent Director on 16 November 2016. Committee membership: Chairman of the Remuneration and the Safety, Health and Environment Committees and a member of the Audit and Nomination Committees. Career and experience: Richard has a broad range of property knowledge and experience. He is a member of the Advisory Board for Battersea Power Station Development Company and a Fellow of the Royal Institution of Chartered Surveyors. Richard was a Non-Executive Director of Emaar Malls PJSC (2014-2017). Previously he was a senior executive of Land Securities Group plc (1995-2014), joining the main board in May 2005 following his appointment as Managing Director of the Retail Portfolio. He was also a Director and President of the British Council of Shopping Centres (2009-2012), the main industry body for retail property owners.

			
Tessa Bamford Non-Executive Director	Nina Bibby Non-Executive Director	Jock Lennox Non-Executive Director	Tina Bains Company Secretary
Appointment to the Board: Tessa was appointed as a Non-Executive Director on 1 July 2009. Committee membership: Member of the Audit, Nomination and Remuneration Committees. Career and experience: Tessa brings broad business experience to the Board. She is currently a Non-Executive Director of Ferguson plc (formerly Wolseley plc), a consultant at Spencer Stuart and Vice Chairman of the British Institute of Florence. Tessa was formerly a Director of Cantos Communications Limited (2001-2011) and a Director of J Henry Schroder & Co.	Appointment to the Board: Nina joined the Board as a Non-Executive Director on 3 December 2012. Committee membership: Member of the Audit, Nomination and Remuneration Committees. Career and experience: Nina brings a wealth of marketing experience to the Board and is currently Chief Marketing Officer at O2 UK (Telefonical). Nina is also a Trustee for the Great Ormond Street Hospital Children's Charity. She was formerly the Global Chief Marketing Officer at Barclaycard, the payments subsidiary of Barclays plc until 2013. Prior to Barclaycard, Nina was Senior Vice President, Global Brand Management at InterContinental Hotels Group plc (2006-2009) and worked at Diageo plc (1997-2006), latterly as Commercial Strategy Director.	Appointment to the Board: Jock joined the Board as a Non-Executive Director on 1 July 2016. Committee membership: Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. Career and experience: Jock, a Chartered Accountant, is an experienced Non-Executive Director bringing to the Board a wealth of business and finance experience. He is currently Chairman of Hill and Smith Holdings plc and Enquest plc. He is also a Non-Executive Director and Chairman of the Audit Committee of Dixons Carphone plc. Jock was previously Senior Independent Director of Oxford Instruments plc (2009-2016) and Non-Executive Director and Chairman of the Audit Committee of A&J Mucklow Group plc (2010-2016). He also spent 30 years with Ernst & Young LLP (including 20 years as a partner) during which time he led a number of relationships with international clients and held a number of leadership positions both in the UK and globally.	Appointment to the Board: Tina was appointed to the role of Company Secretary on 1 January 2016. Committee membership: Member of the Disclosure Committee Career and experience: Tina joined the Group in 2008 as Assistant Company Secretary and was promoted to the role of Deputy Company Secretary in 2011. Prior to this, Tina held various Company Secretarial positions within the private and professional services sectors including TMF Corporate Secretarial Services Limited and Ernst & Young LLP. Tina is a Fellow of the Institute of Chartered Secretaries and Administrators.

Corporate governance report – Introduction and Overview

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Underpinning any successful company is good corporate governance. Corporate governance is the basis of good management practice and we place it at the heart of everything we do.

John Allan
Chairman

Leadership

See pages 49-54

Your Board is collectively responsible for the long term success of your Company. The roles are clearly defined with Executive Directors managing the business on a day to day basis and the Non-Executive Directors providing an appropriate level of scrutiny, challenge and support. In this way proposals relating to strategy, performance, responsibility and accountability are constructively challenged and the Board ensures that all decisions are well considered, justified and of

the highest quality. In addition, Board processes are set up to ensure adequate oversight of the implementation of those decisions.

This section details the structure and composition of the Board and its Committees, how responsibilities are divided amongst the Board, its Committees and individual Directors, the main activities of the Board in FY17 and its main focus areas for FY18 in addition to the induction process for new Directors.

Effectiveness

See pages 55-57

Your Board continuously reviews its balance of skills, experience, independence and knowledge to ensure it remains in the best possible position to discharge its duties and responsibilities effectively. The Board undertakes an annual evaluation of its own effectiveness and that of its Committees and of individual Directors.

This section outlines the internal Board evaluation process undertaken in FY17 and the outcomes. It also sets out the progress made on the actions arising from the FY16 external evaluation.

Accountability

See page 57

Your Board is mindful of the risk environment in which it operates when making any decisions. It maintains sound risk management and internal control systems and regularly reviews the principal risks and assesses the appropriate appetite for risk in striving to achieve the Company's strategic objectives.

This section details the Board's approach to risk management, its internal controls and risk management systems and its processes for evaluating that the Annual Report and Accounts of the Company are fair, balanced and understandable.

Relations with shareholders

See pages 58-59

Your Board recognises the importance of maintaining open dialogue with its shareholders, both private and institutional. A number of events and communications take place on an annual basis to regularly communicate with shareholders and gain feedback on matters such as remuneration and governance.

This section summarises how the Board and individual Directors engaged with shareholders throughout FY17 and how shareholders can communicate with the Company.

Remuneration

See pages 76-105

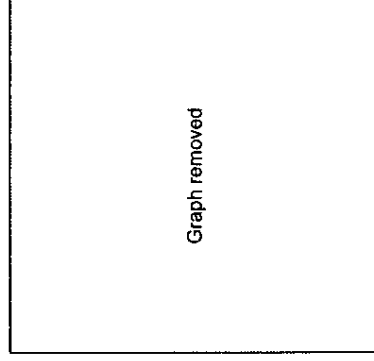
The Board, through its Remuneration Committee, has established a formal and transparent procedure for developing its policy on executive remuneration. The Group's Remuneration Policy that operated throughout the year was presented to, and approved by, shareholders at the 2014 AGM and is designed to promote the long term success of the Group.

This section sets out the Group's revised Remuneration Policy which will be presented to shareholders for approval at the 2017 AGM, how the current policy operated during FY17 and how it will be applied in FY18. The new policy will be effective immediately on approval by shareholders.

Corporate governance report – Leadership

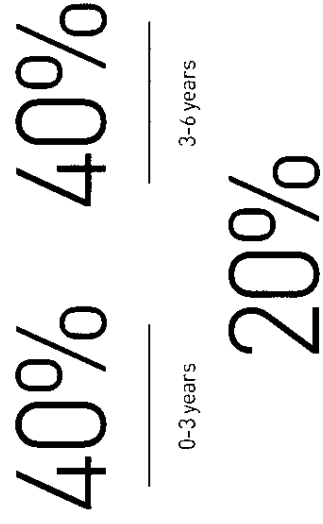
Board composition, diversity and experience as at 30 June 2017

Board composition

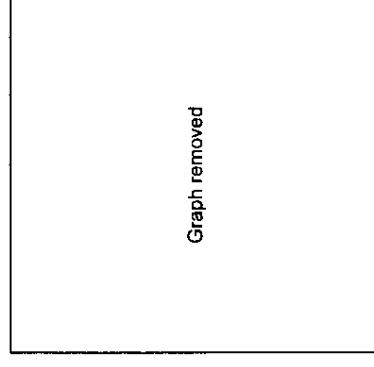


Chairman	13%
Executive Directors	37%
Independent Non-Executive Directors	50%

Non-Executive Director tenure (including the Chairman)



Gender split



Male	62%
Female	38%

Experience

Business	Finance	Retail development	Housebuilding/Construction	Marketing	Commercial development
Image removed	Image removed	Image removed	Image removed	Image removed	Image removed

See page 66 for details on Board diversity

See page 33 for details on diversity in the workforce

Corporate Governance Statement

The Board confirms that during the year ended 30 June 2017, and as at the date of this report, the Company has fully complied with the main and supporting principles of the UK Corporate Governance Code (the 'Code') issued in September 2016 (a copy of which is available from www.frc.org.uk). This report, together with the other statutory disclosures, and the reports from the Audit, Nomination, Safety, Health and Environment and Remuneration Committees, provide details of how the Company has applied the principles and complied with the provisions of the Code during the year under review. We describe how we have applied the main principles throughout pages 48 to 105.

The Company has also complied with the requirements under the Disclosure Guidance and Transparency Rules, the Listing Rules and the BIS Directors' Remuneration Reporting regulations and narrative reporting requirements.

Board balance

The names, responsibilities and other details of each of the Directors of the Board are set out on pages 46 and 47 with the composition of the Board on page 49. The Board believes it has an appropriate balance of Executive and Independent Non-Executive Directors having regard to the size and nature of the business. In addition, the combination of the experience and calibre of the Non-Executive Directors collectively, having regard to their diverse backgrounds, experience and their varying lengths of service, further enhances this balance and mitigates the risk of 'group think'. During the year, the Nomination Committee conducted a review of the balance of skills and experience on the Board. The outcome of the review was that, in general, the Board has the appropriate balance of skills and experience to deliver Group Strategy, however, it could further benefit from the addition of a Non-Executive Director with experience of the wider housing environment.

Board independence

The Company recognises the importance of its Non-Executive Directors remaining independent throughout their appointment, as it enables them to provide objective advice and guidance to the Executive Directors (and Senior Management) through the application of their wide business and commercial experience and diverse backgrounds. This independence allows the Non-Executive Directors to constructively challenge and scrutinise the performance of the Executive Directors and provide an independent perspective on business strategy, performance and the integrity of the financial information considered by the Board and disclosed to the Company's shareholders. In addition, their independence is of the utmost importance when considering the appointment or removal of Executive Directors and in the determination of succession planning for Board positions and other Senior Management roles within the Group. All Non-Executive Directors remained independent in character and judgement during the financial year. It was confirmed as part of the annual conflict of interests review that none of the Non-Executive Directors have business or other relationships with the Group (or other outside interests) that might influence their independence or judgement. Given that Tessa Bamford is currently serving her third three year term on the Board, her independence was subject to particularly rigorous review. The Board was satisfied that she continues to be independent and commits satisfactory time to her role as a Non-Executive Director.

Details of the Directors' interests in shares of the Company are contained in **Table 21** on page 99 of the Remuneration report.

John Allan was considered to be independent on appointment to the Board and on taking up the role of Chairman. As part of the FY17 annual review of the Chairman's effectiveness, the Non-Executive Directors led by Richard Akers, as Senior Independent Director, considered John's other significant commitments and confirmed that they do not impinge upon his availability to fulfil his duties to the Company. John Allan has demonstrated this throughout the year by ensuring full attendance at each of the Board and Committee meetings, being available to Board members whenever required and spending time out in the business and within the Group's corporate office in London. John Allan continues to show dedication to his role and commits the time necessary to discharge his duties.

In addition, in accordance with the requirements of the Code, the Chairman met at least once with the Non-Executive Directors independently of the Executive Directors. The Non-Executive Directors meet without the Executive Directors being present usually prior to or immediately following Committee meetings.

Membership and attendance at Board meetings

Members of the Board throughout the financial year and attendance at each of its scheduled meetings are set out in **Table 1**.

Table 1

Member	Role	Number of meetings attended
John Allan	Chairman	7/7
David Thomas	Chief Executive	7/7
Steven Boyes	Deputy Chief Executive and Chief Operating Officer	7/7
Jessica White ¹	Chief Financial Officer	0/0
Richard Akers	Senior Independent Director	7/7
Tessa Bamford	Non-Executive Director	7/7
Nina Bibby	Non-Executive Director	7/7
Jack Lennox	Non-Executive Director	7/7
Former Directors		
Neil Cooper ²	Chief Financial Officer	4/4
Mark Rolfe ³	Senior Independent Director	3/3

¹ Jessica White joined the Board on the 22 June 2017.

² Neil Cooper stood down from the Board on 19 January 2017.

³ Mark Rolfe stood down from the Board on 16 November 2016.

Note:

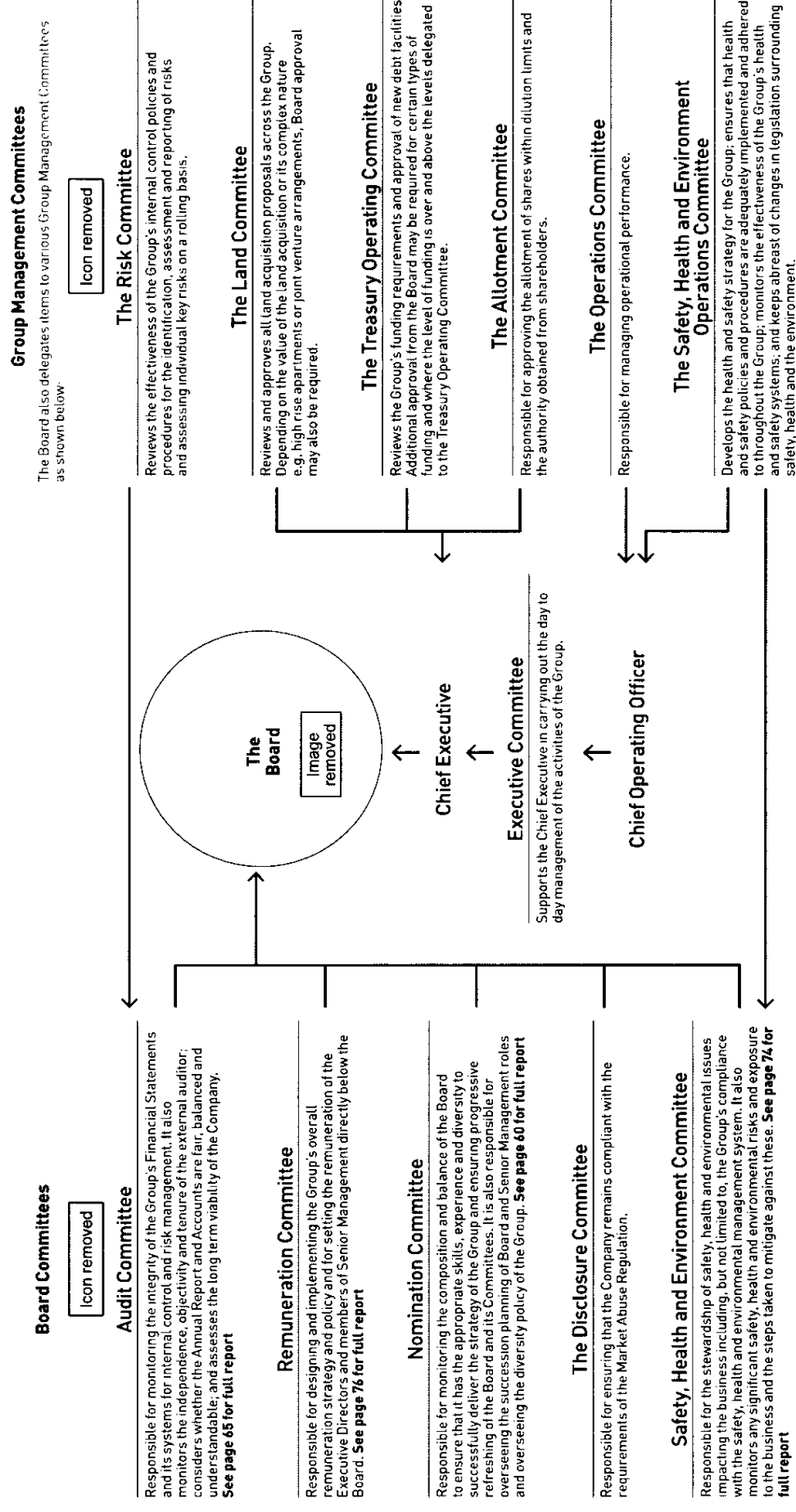
X/Number of meetings attended whilst a Director

/X Number of meetings held whilst a Director.

Board Committees and delegation to Committees

Decisions, matters reserved to the Board and delegated authorities

The Board takes decisions on matters of strategy and in relation to items set out in the matters reserved for the Board. Other than these matters, in order to ensure the appropriate split of responsibilities, it has delegated operational decisions to several Board Committees and Management Committees whose remits are shown 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.barrattdvelopments.co.uk/investors/corporate-governance/governance-policies.



Board roles and their responsibilities

The Chairman John Allan

- Leads and manages the Board in the achievement of its objectives, sets its agenda and chairs its meetings;
- responsible for the effectiveness of the Board and its governance;
- facilitates the effective contribution of Non-Executive Directors and constructive relations between Executive and Non-Executive Directors;
- makes certain that the continued development needs of each Director are identified and addressed; and
- ensures effective communication with shareholders and participates in corporate relations activities including meetings with shareholders and other stakeholders as appropriate.

Chief Executive David Thomas

- Develops the Group's strategy for the enhancement of long term shareholder return and its recommendation to the Board for approval;
- leads the implementation of Group Strategy approved by the Board;
- responsible for the day to day leadership and management of the operational activities of the Group in accordance with overall strategy and policy as determined by the Board;
- chairs the Executive Committee through which he carries out his duties;
- oversees corporate relations with shareholders and other stakeholders; and
- responsible for sustainability policies and practices of the Group.

Deputy Chief Executive and Chief Operating Officer Steven Boyes

- Responsible for the Group's housebuilding operations including day to day responsibility for safety, health and the environment; and
- chairs the Operations Committee meetings, the other members of which include the Regional Managing Directors.

Chief Financial Officer Jessica White

- Devises and implements the Group's financial strategy and policies;
- manages Group Finance, Tax, Internal Audit, Treasury and Investor Relations functions;
- supports the Chief Executive with his corporate relations responsibilities with shareholders and other stakeholders; and
- manages the Company's relationship with the external auditor.

The Senior Independent Director Richard Akers

- Available to shareholders, when required, to:
 - (i) address any material issues or concerns which the Chairman and/or Chief Executive have failed to resolve; and
 - (ii) listen to their views in order for the Company to gain a balanced understanding of their issues and concerns;
 - (iii) chairs the Board Safety, Health and Environment Committee;
- evaluates the performance of the Chairman, at least annually; and
- acts as a sounding board for the Chairman and, if necessary, an intermediary for the other Directors.

Independent Non-Executive Directors Tessa Bamford, Nina Bibby and Jock Lennox

- Supports and constructively challenge the Executive Directors using the broad range of their experience and external perspective;
- develops proposals on strategy; and
- monitors the implementation of the Group's strategy within its risk and control framework.

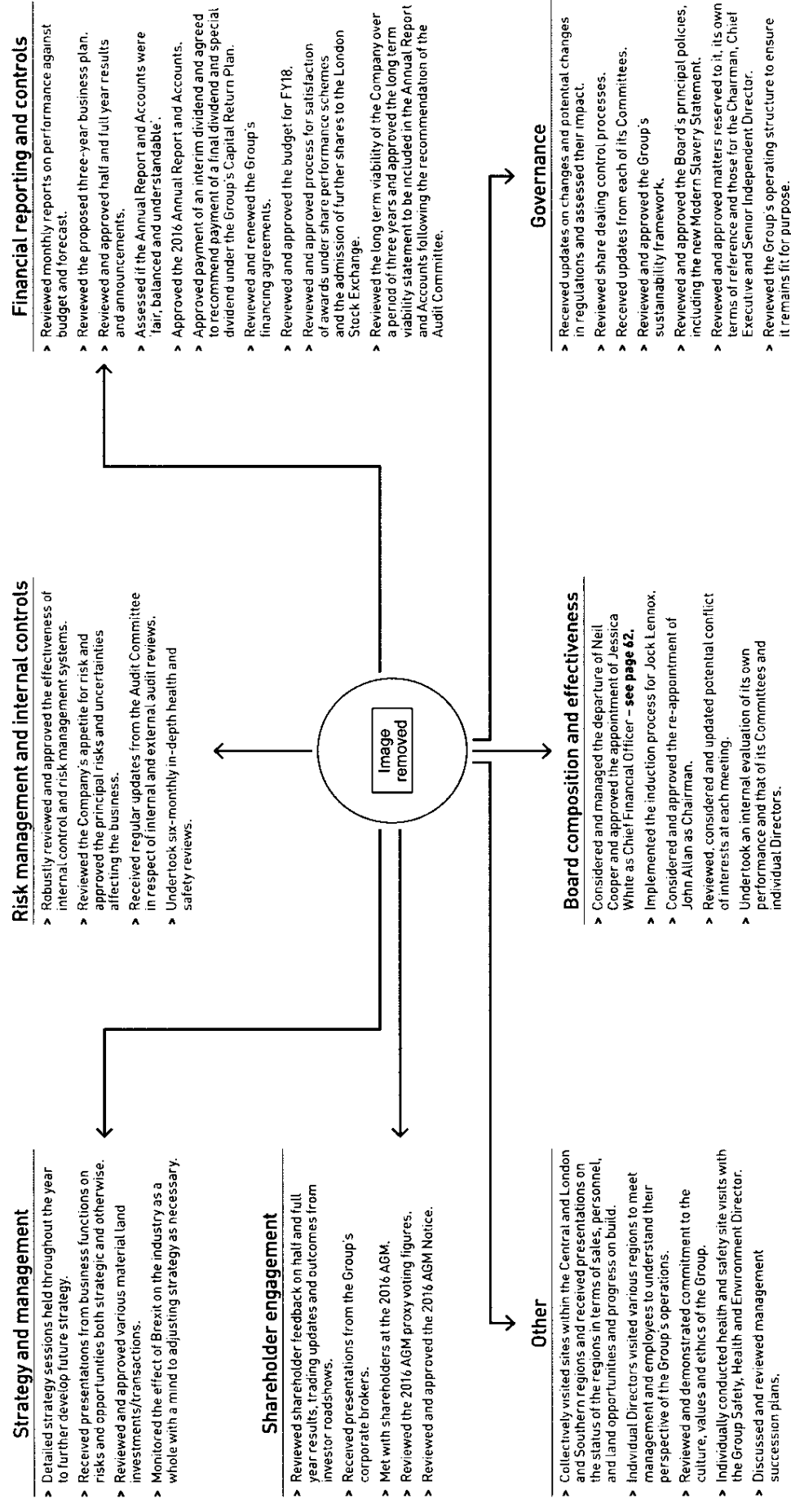
Company Secretary Tina Bains

- Supports the Chairman and Chief Executive in fulfilling their duties especially with respect to induction and training;
- available to all Directors for advice and support;
- keeps the Board regularly updated on governance matters and best practice;
- ensures Group policies and procedures are maintained and updated on a regular basis; and
- attends and maintains a record of the matters discussed and approved at Board and Committee meetings.

Board activity FY17

Main activities undertaken during the financial year (including Matters Reserved)

The Board provides clear, entrepreneurial, responsible and executive leadership to the Group in order to promote the long term success of the Group whilst ensuring the Group has an appropriate risk and control framework, adequate resources and appropriate values and standards to deliver its strategy.



Induction

On joining the Company, each new Director participates in a full and formal induction process. The aim of the induction is to assist the Director to familiarise themselves with the business and its culture, in addition to the roles and responsibilities of the Board and each member of Senior Management. Site and divisional/functional visits are arranged so the Group's business is seen in operation. Each new Director is provided with an induction pack containing general and specific information relating to their role such as a schedule of meetings, copies of Board minutes, terms of reference of the Committees upon which they will serve and other Committee specific information, various policies and procedures, details of their duties as a Director of a listed plc and other obligations under the various regulations governing the Company. During the financial year under review, the Company completed the induction of Jock Lennox to the role of Non-Executive Director and Chairman of the Audit Committee. Details of his induction were reported in the 2016 Annual Report and Accounts. As Jessica White was previously Group Financial Controller, she already has an extensive understanding of the business. She will still, however, be subject to a thorough and formal induction process which will take place throughout FY18 and be reported on in the 2018 Annual Report and Accounts.

Image removed

Richard Akers with Ian Menham, Managing Director Southern Counties.

Board visits

Each year the Board collectively visits two regions which are selected on a rotational basis. During FY17 these visits were to the Central region and the London and Southern region. At each of these regions the Board met with Senior Management who provided an overview of the regional business including their business plan, customer service levels, employee turnover and engagement and other operational matters.

As part of their visit to the London and Southern region, the Board also visited the Group's development at Cane Hill Park, Coulsdon, Surrey. Cane Hill Park is a large brownfield regeneration site acquired from the HCA on which we are developing 659 units (494 private residential units and 165 affordable units) under both the Barratt and David Wilson Homes brands. Both brands are piloting the use of modern methods of construction, primarily timber frame and light gauge steel frames on some of their units.

Image removed

Jock Lennox, Richard Akers, David Thomas and Nina Bibby with Ian Menham, Managing Director Southern Counties, Nicola Spencer-Skeen and Graham Orrick, Sales Advisors.

Effectiveness

Board and Committee evaluation

In accordance with the Code, the Board is responsible for undertaking a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. For FY16 the Board undertook the review with the assistance of Ffion Hague of Independent Board Evaluation who has no other connection with the Company.

Progress on FY16 evaluation

We reported the outcomes of the Board evaluation for the last financial year in the 2016 Annual Report and Accounts. Details of progress made on these are set out below.

Table 2 – The Board

	Succession planning	Training and development	Strategy
FY16 outcomes	Further work required to identify talent within the business and to ensure that potential successors to Board roles are developed. Increased focus required on diversity (ethnic and gender) throughout the business.	To assess the requirements for Board training and development for individual Directors.	To have a longer term view on strategy for the Group.
Actions for FY17	Executive Directors together with HR to focus on identifying employees below Board level as potential future successors.	Each Director to provide suggestions and an annual timetable for training and development to be maintained.	Specific sessions to be held throughout the year to focus on strategic issues identified by the Board.
Progress made in FY17	A programme on diversity led by the Chief Executive commenced in FY16 and was developed further in FY17. In conjunction with Spencer Stuart, an external Board and executive leadership consultant, assessments have been undertaken of a number of individuals across the business to identify those with the potential to 'step up' to the next level. A Diversity and Inclusion Forum has been formed to focus on increasing awareness of diversity and inclusion. Training on diversity has started to be rolled out across the business and initiatives to attract individuals from various backgrounds, such as ex-forces, into the industry have been launched. 'Family friendly' policies, such as maternity and paternity policies, have also been reviewed to ensure that they are in line with good market practice.	Presentations on the topics identified have been included in the Board's schedule of presentations for the year. The Company Secretary provides an update on regulatory, legislative or best practice changes at each Board meeting.	Each Board meeting is now followed by a strategy session. The topics covered in FY17 ranged from Government policy and planning to increasing volume, retaining and attracting talent and the skills shortage, and improving margin.

Table 3 – The Committees

	Nomination Committee	Audit Committee	Remuneration Committee
FY16 outcomes	All Committees are operating effectively with members understanding what is expected of them to undertake and discharge their responsibilities as well as their regulatory requirements.	The Committee is well versed in the detail of audit issues and focus over the next year will be to include a more strategic view of financial and audit issues.	Continue the focus on simplifying remuneration structures over the coming year.
Actions for FY17	To support the Board in identifying successors for Board and Committee members as well as Senior Management. Focus on diversity throughout the business especially with regards to gender and ethnic diversity.		
Progress made in FY17	As above for the Board.	The Chairman of the Audit Committee is undertaking a full review of the Audit Committee processes and topics and how these are addressed.	A full review has been undertaken of the remuneration structures in conjunction with New Bridge Street, the remuneration consultants and where possible structures have been simplified.

FY17 Board performance evaluation

Following the external review in FY16, it was agreed to undertake the evaluation internally for FY17. The Chairman of the Board led the evaluation process, supported by the Company Secretary.

Board and Committee evaluation process

The Company Secretary issued questionnaires to Board and Committee members and to individuals who attend the Committee meetings on a regular basis. The questionnaire looked at a variety of areas including, among other matters, the composition of the Board and Committees, the advice and support provided, the focus of meetings and top three priorities for the next year.

The Company Secretary collated the results of the questionnaires and provided a summary to each of the Chairmen. The results were then discussed between Board and Committee members respectively at their meetings.

FY17 Internal Board effectiveness evaluation outcomes

The results of the evaluation were generally positive and showed that the Board is running effectively. The Board is seen as being cohesive and comprising of the appropriate balance of experience, skills and knowledge to implement the Group's strategy over the next few years. Board meetings operate in a spirit of openness, fostered by the Chairman, in which Directors are able to challenge and discuss openly ideas of importance to the Group and its strategy. Members of the Board felt that the new arrangements for deep dive strategy discussions at each Board meeting (rather than one offsite strategy day) ensured a detailed discussion of each strategic area of focus and greater integration of strategy into the running of the Group.

Table 4 – Areas of improvement for the Board

	Succession planning	Relationship with suppliers and customers	Risk, culture and behaviours
FY17 outcomes	Continue to focus on identifying successors for Executive Directors and Senior Management.	More interaction with shareholders, suppliers and customers to gain a better understanding of their views and requirements.	To further develop risk oversight processes and monitor culture and behaviours throughout the organisation.
Actions for FY18	To build on the assessments undertaken by Spencer Stuart and work with the individuals identified with the potential to progress to Senior Management or Board level.	Establish a calendar of events that Non-Executive Directors could attend to meet with shareholders, suppliers and customers.	To continue to focus on the Group's culture, behaviours and appetite to risk.

Table 5 – Areas of improvement for the Committees

	Nomination Committee	Audit Committee	Remuneration Committee
FY17 outcomes	Increase the focus on succession for Executive Directors and Senior Management.	To focus more on risk at a strategic level and reduce the length of the meeting packs.	To reduce the focus on the detail and concentrate more on the bigger picture to speed up the decision making process.
Actions for FY18	Dedicate more time on the agenda to address this issue. To build on the assessments undertaken by Spencer Stuart and work with the individuals identified with the potential to progress to Senior Management or Board level.	Establish when and how risks are to be reviewed and agree presentations required from which areas of the business. Better promote the use of Executive summaries to ensure key information is highlighted and the detail is available if required.	Establish a statement of intent before or at the beginning of a financial year to enable management to have longer to consider what is required and how it can be achieved.

Evaluation of the Chairman and Non-Executive Directors

The evaluation of the effectiveness of the Chairman was conducted by the Senior Independent Director with assistance from the Company Secretary. A questionnaire was issued to each Board member and the result was unanimous support for the Chairman. Of particular note was how supportive the Chairman is of other Directors and his wish to listen to all contributions during the course of a debate. In addition, Board members found him engaging and encouraging of building Board cohesion through activities outside of formal Board meetings. The Directors were complimentary of the way in which the Chairman managed his other commitments, always ensuring sufficient time is given to his role with the Company. The Senior Independent Director shared the feedback with the Board (without the Chairman being present) before discussing it with the Chairman.

The Chairman held one to one meetings with each Director to assess their effectiveness and to agree any areas of improvement or training and development, including on environmental, social and governance matters. There were no issues of any substance arising from this review.

Information and support

The Chairman, with the assistance of the Company Secretary, ensures that the Board receives accurate, timely and clear information. Each Director is issued with an agenda, briefing papers and comprehensive operating and financial management reports for the period under review, generally five working days before any Board meeting. The Company Secretary attends all Board and Committee meetings and all Directors have access to her advice and, if necessary, to independent professional advice at the Company's expense to assist with the discharge of their responsibilities as Directors.

All Directors are provided with a rolling two-year schedule of proposed meeting dates.

Any Director who is unable to attend a meeting is invited to provide their views to the Chairman ahead of that meeting, having reviewed the agenda, briefing papers and management information. Reasons for non-attendance are recorded by the Company Secretary and either she or the Chairman will meet with any absent Director to go through any action points which are of relevance. Formal minutes of each Board meeting are prepared, circulated and submitted for approval at the next meeting.

Training

The Chairman regularly reviews training requirements of, and annually agrees development needs with, individual Directors. A number of internal presentations and updates are provided to Directors as part of the Board and strategy agenda. This forms part of the training the Directors receive for their role. Subjects are chosen based on their impact on the business and include (but are not limited to) general economic and market updates, Government and regulatory environment, our customers, financial updates and planning, Modern Methods of Construction and sales and product development.

Accountability

Internal controls and risk management

In accordance with provision C.2.3. of the Code, the Board monitors and regularly reviews the effectiveness of the Group's system of internal controls, including those related to the material financial, operational and compliance performance, and risk management systems (see the Audit Committee report on pages 65 to 73). A risk framework has been developed for all business processes by the Internal Audit function and approved by the Audit Committee.

This framework forms the basis of the internal control audit plan for the year ahead, which tests if key controls are being applied effectively in each operating division. Material issues identified during internal audits and follow-up action plans are reviewed by the Executive Directors and by the Board on a quarterly basis. Any necessary actions are immediately taken to remedy any significant failings in the internal control system.

The Group's system of internal controls is designed to manage risks that may impede the achievement of the Group's business objectives rather than to eliminate those risks entirely. The system of internal controls therefore provides only reasonable, not absolute, assurance against material misstatement or loss. The system of internal controls 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 40 to 44).

We continue to cooperate fully with the Metropolitan Police on the ongoing investigation we instigated regarding possible misconduct in the London business. As stated in October 2016, Barratt does not anticipate any material adverse financial effect and our London business is operating well.

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

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

Fair, balanced and understandable

As part of its considerations, the Board reflected upon the feedback shareholders provided in respect of our 2016 Annual Report and Accounts. It also set aside adequate time to review and discuss significant areas of the 2017 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 Director's Responsibility Statement on page 112. The process undertaken by the Audit Committee to assist the Board in assessing if the Annual Report and Accounts were fair, balanced and understandable can be found on page 69. Following recommendation from the Audit Committee, the paper from the Company Secretary and its own reflections, the Board was happy to endorse the recommendations of the Audit Committee.

Corporate governance report *continued*

Relations with shareholders

2016 Activity

July	August	September	October	November	December
➤ Post year end trading update.	➤ Full year results preparation. ➤ Annual update on remuneration to major investors and principal investor advisory groups.	➤ Full year results announcement. ➤ UK and US roadshows following the full year results announcement. ➤ Institutional broker sales desk briefings.	➤ Private client brokers' roadshow and group meeting.	➤ Trading update and Annual General Meeting. ➤ Institutional broker sales desk briefings. ➤ Major shareholders and key investor roundtable chaired by Chief Executive and Senior Management team. ➤ J.P. Morgan Cazenove 'Best of British' conference.	➤ Dublin roadshow following full year results. ➤ Institutional broker sales desk briefings.

Ad hoc meetings with existing and potential investors

The Board recognises the importance of having an effective relationship with its shareholders and other stakeholders. The Group has arrangements in place which enable it to communicate effectively with shareholders in respect of business strategy, governance, remuneration and any Senior Management or Board changes. It also conducts regular institutional investor meetings after the release of the annual and half year results and following the publication of each of our trading updates.

Trading updates

The Company is fully aware that the Disclosure Guidance and Transparency Rules have removed the requirement for companies to publish interim management statements to the market in between the full and half year results. We undertook a review of our reporting frequency in FY16 and, given the cyclical nature of our business, we continue to believe that it is important that we keep our shareholders fully informed of the performance of the business on a regular basis. In addition, given that we only publish short trading updates four times a year, two of which are in preparation for the half and full year results, the burden on management time is not deemed to be excessive. We will therefore continue to publish trading updates in FY18 four times a year whilst keeping the position under review.

Any announcement published via the Regulatory Information Service including the half year and annual results, trading updates and other Company announcements can be found on the Company's website at www.barrattddevelopments.co.uk/investors.

Board updates

In order to ensure that all Directors are aware of, and have a clear understanding of, the views of major shareholders, the Chief Financial Officer or in her absence, the Chief Executive, reports regularly to the Board on the Company's investor relations activities, including updates from the Company's brokers. Additionally, the Company's brokers presented an analysis of investor feedback during the year under review.

Investor meetings

The executive team meet regularly with investors and analysts in order to convey an understanding of the market and the Group's operations and objectives. These meetings take place throughout the year but particularly after the annual and half year results announcements. In FY17, the Directors attended a total of 146 investor meetings (130 one to one meetings and 16 group meetings). In addition, they attended a number of conferences and investor roadshows in the UK and the US. The Chairman and other Non-Executive Directors also have the opportunity to attend meetings with major shareholders at the request of either party. The Senior Independent Director is also available to meet with major shareholders, as and when required, to gain an understanding of any issues and concerns. During FY17, the Chairman held calls with major shareholders on request following the announcement of Neil Cooper leaving the business and Jessica White's appointment as Chief Financial Officer. In addition, the Chairman of the Remuneration Committee consulted with major shareholders on remuneration policy and its implementation, as he does annually.

2017
Activity

January	February	March	April	May	June
➤ Post half year end trading update. ➤ Institutional broker sales desk briefings. ➤ Chairman and CEO phone calls with major shareholders on request following the departure of Neil Cooper.	➤ Half year results announcement. ➤ UK roadshow following the half year results announcement. ➤ Institutional broker sales desk briefings.	➤ Institutional broker sales desk briefings. ➤ Chief Executive dinner one-on-one meetings with major shareholders.	➤ Institutional broker sales desk briefings. ➤ Chief Executive dinner one-on-one meetings with major shareholders.	➤ Trading update. ➤ Institutional broker sales desk briefings. ➤ Deutsche Bank Housebuilding Conference. ➤ Remuneration policy consultation with major investors and principal investor advisory groups.	➤ UBS UK Housing Seminar. ➤ Chairman phone calls with major shareholders on request following the appointment of Jessica White.

Ad hoc meetings with existing and potential investors

Major shareholders

In accordance with the UKLA's Disclosure Guidance and Transparency Rules (the 'DTRs'), all notifications received by the Company are published on the Company's website www.barrattdevelopments.co.uk and via a Regulatory Information Service.

As at 30 June 2017, the persons set out in **Table 6** have notified the Company, pursuant to DTR 5.1, of their interests in the voting rights in the Company's issued share capital:

Table 6 – Notifiable interests

Name	Number of voting rights ¹	% of total issued share capital ²	Nature of holding
FMR LLC	34,579,199	8.24	Indirect
BlackRock, Inc.	56,413,704	5.60	Indirect
Standard Life Investments Ltd	47,711,714	4.94	Direct & Indirect

¹ Represents the number of voting rights, as notified to the Company by the respective shareholder in accordance with DTR 5.

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

At 5 September 2017, no change in these holdings had been notified and no further notifications of a disclosable interest had been received.

The Total Voting Rights of the Company as announced on 1 September 2017, are 1,009,901,161.

On behalf of the Board

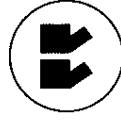
John Allan
Chairman



5 September 2017

Nomination Committee report

Image removed



The values of an organisation are largely influenced by the people leading it. By appointing the right people to the Board a culture of honesty, openness and diversity can be achieved throughout the business.

John Allan
Nomination Committee Chairman

Statement from the Chairman of the Nomination Committee

I am pleased to present the Nomination Committee report for the financial year ended 30 June 2017. The Nomination Committee continues to play a vital role in ensuring that not only the Board, but the senior leadership team comprises the right individuals to plan and implement the strategy of the Group. A number of recommendations have been made by the FRC and other key organisations for Nomination Committees to focus on. Issues, relating to diversity, including gender, ethnicity and race. The Nomination Committee fully supports the aims of these recommendations and will take appropriate action as opportunities present.

Skills and experience of the Board

Ensuring the Group is led by a first rate Board, operating in a responsive, open and transparent culture is our prime focus. We undertook an assessment of the tenure and length of service of the Non-Executive Directors and of the skills and experience of the Board needed to deliver the strategy of the Group. The review highlighted the potential for appointing an additional Non-Executive Director with experience in the wider housing environment such as in central or local Government, Housing Association or strategic and public policy. Accordingly, we embarked on the recruitment process for a new Non-Executive Director. Details of the recruitment process can be found on page 62.

Chief Financial Officer

A key focus for the Nomination Committee for the year under review has been the recruitment of a new Chief Financial Officer. Details of the recruitment process and how the role was fulfilled in the interim can be found on page 62.

Membership of the Nomination Committee

The Nomination Committee also reviewed its membership in comparison to other FTSE 100 companies during the year. Consequently, it was agreed that David Thomas would step down as a member with effect from 30 June 2017. The members of the Committee are now therefore myself and the independent Non-Executive Directors.

Diversity and Inclusion

During the year under review we have made good progress with our diversity and inclusion programme. Further information can be found on page 64.

Succession planning

As highlighted from the effectiveness review, we will continue to focus on succession planning for Executive Directors and senior managerial roles during the next financial year.

John Allan
Chairman of the Nomination Committee
5 September 2017

Nomination Committee role and activity FY17

Main role and activities undertaken during the financial year

The Nomination Committee met formally on three occasions during the year to fulfil the responsibilities delegated to it by the Board. Its main role is to monitor the size and composition and balance of skills on the Board and its Committees, to ensure a formal, rigorous and transparent procedure for the appointment of new Directors and to plan for succession. Full details of the responsibilities delegated to the Nomination Committee by the Board are set out in the written terms of reference which are available from www.barrattddevelopments.co.uk/investors/corporate-governance/governance-policies.

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

Board composition and balance

- Reviewed the structure, size and composition of the Board.
- Reviewed skills, experience and knowledge of each Board member and of the Board as a whole, against the needs of the Board.
- Reviewed the time commitment required from the Chairman and Non-Executive Directors to fulfil their roles.
- Considered and recommended to the Board the re-appointment of John Allan as Chairman for a second three year term (subject to approval by shareholders (page 63)).

Succession planning

- Following the departure of Neil Cooper, led the recruitment process for a new Chief Financial Officer.
- Assessed the tenure of Board members and held discussions with Directors on expected length of service in order to inform the succession plan (page 63).
- Conducted external recruitment process for a new Non-Executive Director (page 62).

Governance

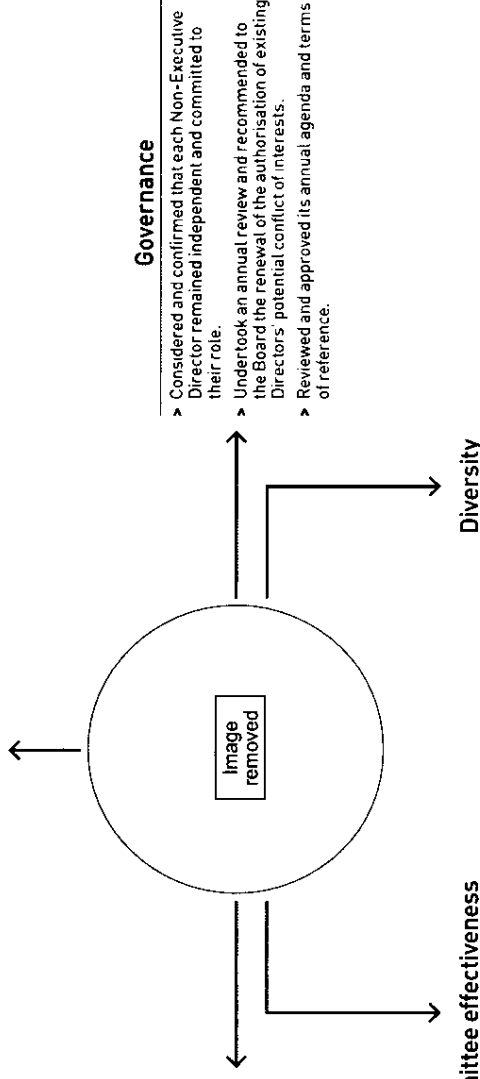
- Considered and confirmed that each Non-Executive Director remained independent and committed to their role.
- Undertook an annual review and recommended to the Board the renewal of the authorisation of existing Directors' potential conflict of interests.
- Reviewed and approved its annual agenda and terms of reference.

Committee effectiveness

- Reviewed and made progress against matters arising from the annual evaluation for FY16.
- Undertook an internal evaluation of its own performance and reviewed and devised an action plan to address issues arising (page 55).

Diversity

- Reviewed the Group's diversity policy and recommended it to the Board for approval.



Nomination Committee report *continued*

Membership and attendance at meetings

The membership of the Nomination Committee and the attendance at each of its scheduled meetings is set out in **Table 7**. In accordance with Code provision B.2.1, the majority of Committee members are considered independent by the Company and their biographies and qualifications are shown on pages 46 and 47.

Table 7 – Nomination Committee attendance

Member	Role	Number of meetings attended
John Allan	Chairman	3/3
Richard Akers	Member	3/3
Tessa Bamford	Member	3/3
Nina Bibby	Member	3/3
Jock Lennox	Member	3/3
David Thomas ²	Member	3/3
Former members		
Mark Rolfe ³	Member	1/1

1. Jock Lennox joined the Board on 1 July 2017.

2. David Thomas stood down from this Committee with effect from 30 June 2017.

3. Mark Rolfe stood down from the Board on 16 November 2016.

Note

X/ Number of meetings attended whilst a Director.

/X Number of meetings held whilst a Director.

Appointment and re-appointment of Directors

The Nomination Committee leads the process for appointments to the Board and makes recommendations to the Board when suitable candidates have been identified. When a vacancy arises the Nomination Committee evaluates the balance of skills, experience, independence and knowledge on the Board and considers this against current and future needs to deliver its strategy. It then prepares a description of the roles and capabilities required for that appointment. The search for Board candidates is carried out, and appointments made, on merit with due regard for Board diversity and the need to maintain an appropriate balance of skills and experience. External recruitment consultants are used where appropriate.

During FY17 the Nomination Committee identified the requirement to appoint an additional Non-Executive Director to the Board with experience in the wider housing environment. Accordingly, Odgers Berndtson, an independent recruitment agency with no other connection to the Company, have been appointed to assist with the search for a new Non-Executive Director. The Board delegated authority to John Allan and Richard Akers to oversee the process and accordingly they have reviewed a longlist of candidates. Odgers Berndtson are currently in the process of compiling a shortlist from which candidates will be selected for interview with John Allan and Richard Akers in the first instance. Details of any appointment made as a result of this process will be announced via a Regulatory Information Service at the appropriate time.

Chief Financial Officer

As announced on 19 January 2017, Neil Cooper left the business by mutual agreement. The Nomination Committee immediately embarked on a search to find a suitable replacement. David Thomas, who had previously held the position of Group Finance Director, temporarily re-assumed responsibility for the finance function. David was ably supported by the Group Financial Controller and the Housebuilding Financial Controller during this time. In addition, Steven Boyes, Deputy Chief Executive and Chief Operating Officer, supported David with his ongoing executive responsibilities. The Chairman and the Board, being conscious of the need to maintain good governance practices throughout this period, assessed the robustness and effectiveness of the Group's internal controls and procedures to ensure that they remained appropriate to mitigate against any significant risks arising during the period David fulfilled this dual role. To further enhance the controls and procedures around land acquisitions during this period, John Allan and Richard Akers, in their capacity as Chairman and Senior Independent Director, attended the Land Committee meetings on a weekly basis and played a primary role in challenging the proposals brought forward by the divisions.

In February 2017, the Nomination Committee delegated authority to David Thomas, John Allan and Jock Lennox to lead the search for a new Chief Financial Officer. Subsequently, Russell Reynolds, an independent recruitment agency with no other connection to the Company, were appointed to assist with the search. Russell Reynolds produced a short list of potential candidates which were reviewed by David Thomas, John Allan and Jock Lennox together with Rob Tansey, the Group HR Director. A desktop benchmarking exercise was undertaken on all of the external candidates, and it was noted that some of the shortlisted candidates had been considered for the position in 2015 prior to the appointment of Neil Cooper. In addition, applications were received from three internal candidates. The experience, skills and knowledge of each of the internal candidates was considered and it was agreed that only one of them, Jessica White, the then Group Financial Controller, would progress to the next stage. Jessica was put through a rigorous assessment process with Russell Reynolds to allow her to be benchmarked against the external candidates. She was also interviewed by each of the members of the Board and of the Executive Committee. Feedback from this process confirmed that due to her extensive knowledge of the business, the respect in which she is held by other employees throughout the organisation and her past track record as Group Financial Controller, Jessica was the best candidate for the position of Chief Financial Officer. Accordingly, the Nomination Committee recommended to the Board that a formal offer of appointment be made to her. This recommendation was unanimously endorsed by the Board. Accordingly, on 22 June 2017, Jessica was appointed as the Chief Financial Officer of the Group.

Re-appointment of Non-Executive Directors

Non-Executive Directors are appointed by the Board for an initial three-year term and normally serve a second three-year term, subject to re-election by shareholders and statutory provisions relating to the removal of Directors. Beyond this a third term of up to three years may be served subject to particularly rigorous review and taking into account the need for progressive refreshment of the Board. The Articles, in accordance with the Code, require any Non-Executive Director who has served nine years or more on the Board continuously to be subject to annual re-appointment.

The letters of appointment of all Non-Executive Directors (alongside the service contracts for the Executive Directors) are available for inspection by any person at the Company's registered office during normal office hours or via the Company's website (www.barrattddevelopments.co.uk). Copies will also be available at the 2017 AGM for 15 minutes before and throughout the

meeting. The letters of appointment clearly set out the time commitment expected from each Non-Executive Director to ensure they satisfactorily perform their duties. The required time commitment is reviewed annually by the Board. Each Non-Executive Director confirms that they are able to allocate the time commitment required at the time of their appointment and thereafter as part of their individual annual effectiveness review undertaken by the Chairman.

During the year, with John Allan absenting, the Nomination Committee considered the re-appointment of John Allan as Chairman. The Nomination Committee was satisfied that John continues to dedicate sufficient time to his duties as Chairman and John confirmed that he would continue to do so. Furthermore, the Committee were satisfied that John had no other relationship or circumstance that would affect the performance of his role. Accordingly, the re-appointment of John Allan for a second three-year term was recommended to the Board, which it fully endorsed.

Retirement and re-election of Directors

The Articles currently require Directors to submit themselves for re-election by shareholders at the first AGM following their initial appointment to the Board and thereafter at intervals of no more than three years. All Board members will, however, in accordance with the Code, stand for election or re-election, as appropriate, by shareholders at the 2017 AGM irrespective of their date of appointment and length of service on the Board.

Biographical details of each of the Directors and supporting statements for their re-election are set out on pages 46 and 47 of this report and in the Notice of the 2017 AGM. Details of the Executive Directors' service contracts can be found in the Remuneration report on page 87.

Each of the Directors has been subject to a formal performance evaluation process including the appropriateness of a particular Director's experience and the effectiveness with which such experience is utilised in furthering the Company's business. Following these reviews, the Nomination Committee, and the Board, are satisfied that each Director continues to be effective in, and demonstrate commitment to, their respective roles. The Board, in the light of the results of the performance evaluation and the breadth of experience demonstrated by each Director's biography set out on pages 46 and 47, therefore recommends that shareholders approve the resolutions to be put forward at the 2017 AGM relating to the election or re-election of the Directors as applicable.

Succession planning – Executive Directors

During the year, the Board undertook its annual review of the Group's succession plans. This involves a review of the succession for Executive Directors and other Senior Management roles below Board level. The aim of this review is to identify suitable individuals who are capable of filling senior managerial positions on a medium and long term basis, whilst ensuring their development needs are identified and addressed. It also seeks to ensure that the Board's future needs are met. As part of their development, Senior Managers who are not of Board level will be invited to attend part of a Board meeting to present on their specialist area. This also enables the Board to assess the quality of internal talent and for the individual to get a greater understanding of the workings of the Board.

The Nomination Committee plays an active part in this process.

Succession planning – Non-Executive Directors

The Nomination Committee reviews annually the length of service of the Non-Executive Directors and holds conversations with the longer serving members to create a plan for the progressive refreshment of the Board as necessary.

Directors' conflict of interests

The Board has, in accordance with the Articles and best practice guidelines, authorised the Nomination Committee to oversee the process for reviewing and making recommendations to the Board concerning any actual or potential conflict of interests which may arise for any Board member, including details of any terms and conditions which it deems necessary to impose on any authorisation given. This process was carried out satisfactorily during the year in respect of all Directors.

The Company Secretary maintains a register of Directors' conflict of interests which is reviewed annually with recommendations made to the Board in respect of any changes to the authorisations that may be required. The register of conflicts is reviewed at each Board meeting in order that each Director can review their entries and immediately notify the Chairman and/or the Board of any new conflict or potential conflict and of any change in circumstances relating to authorisations already given. The Board, when authorising any conflict or possible conflict of interests, 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 diversity policy

During the year, the Nomination Committee reviewed the Group's policy on diversity, including professional, international and gender diversity. This policy was also considered by the Board.

The Nomination Committee's primary goal remains to identify the most suitable candidate to join the Board and for other senior positions within the Group. However, it also seeks to ensure that, in managing an appointment and in succession planning, it has regard to the benefits of diversity, including but not restricted to gender diversity and its impact on effective decision making.

In terms of gender diversity the Board will continue to work only with recruitment search consultants who have adopted a voluntary code of conduct addressing gender diversity.

Going forward recruitment search consultants will be required to identify and present potential candidates in accordance with the Parker review and its recommendations regarding the ethnic diversity of boards.

The Board notes that in his report published October 2015, Lord Davies increased the target for women on boards from 25% to 33%. Whilst the Board appreciates the benefits that can be gained from gender diversity, it has agreed not to impose a gender balance quota preferring instead to appoint strictly on merit as it did with the appointment of Jessica White. In addition, the Board are aware of the requirements of the Hampton-Alexander review, the Parker review and the McGregor-Smith review. Details as required by the Hampton-Alexander review can be found on page 33. In respect of the recommendation of the Parker and the McGregor-Smith reviews, work is currently underway to collate data and amend processes (as necessary). Information on the steps taken will be published in the 2018 Annual Report and Accounts.

The Nomination Committee and the Board do recognise the need to ensure that the business reflects a diverse workforce, at all levels of seniority, whilst always seeking to ensure that each post is offered to the best available candidate. Promoting diversity at a Senior Management level and more generally within the workforce is an objective for the Chief Executive and HR Director. Progress has been made with promoting diversity within the business (see page 33, Diversity and inclusion).

Barratt Developments PLC – Diversity Policy
www.barrattdvelopments.co.uk/sustainability/our-policies

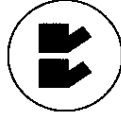
This report forms part of the Corporate governance report and is signed on behalf of the Nomination Committee by:

John Allan
 Chairman of the Nomination Committee
 5 September 2017



Audit Committee report

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Our constant drive for continuous improvement throughout the Group in all aspects of financial reporting, risk management and internal control ensures a continued focus on these key areas.

Jock Lennox
Audit Committee Chairman

Statement from the Chairman of the Audit Committee

I am pleased to present to you my first Audit Committee report as Chairman of the Audit Committee. During my first year, I have spent time meeting with senior financial management, internal audit and the external auditor. I have attended meetings with various parts of the business and visited regions and divisions in order to fully understand key controls and processes and to see their application. In addition, I visited a number of sites and met with a variety of regional, divisional and functional management.

Tender of external audit and tax compliance and advisory services

During the year ended 30 June 2017, we have conducted a full tender exercise of our external audit in line with the UK Corporate Governance Code and the provisions of the CMI Order 2014. We also tendered the Group's tax compliance and advisory services. More information on both of these items can be found on pages 72 and 73 respectively.

Risk management

We continue to monitor our risk management processes and during the year each business function developed or updated their risk registers. These registers set out the key risks currently affecting that function, the likelihood and impact of that risk and the mitigation in place. They are reviewed twice a year and are also assessed by the internal audit team as part of the internal audit process. Each risk register is also presented to the Risk Committee as part of a functional update at least once a year. The Chief Internal Auditor notifies the Audit Committee of any issues identified by the Risk Committee as part of their review. Our focus going forward is to further embed risk management into day to day management processes.

In conjunction with this, we have also undertaken a detailed review of all of our policies, processes and procedures. These have been updated to ensure that they accurately reflect current practices and are easy to understand and follow. To ensure compliance with our policies, all senior and middle management have confirmed, in writing, that they and their teams, have read and understood the policies appropriate to their role and that they have been complied with. In addition, our delegation of authorities matrix has been simplified in an attempt to avoid confusion. Both the Group policies and the delegation of authority matrix have been refreshed and re-published to the business on the Group's intranet, during the year under review.

Key activities in FY17

Throughout the year under review we held frequent discussions on key accounting judgements ensuring that they remain appropriate to the Group's financial reporting. We had in-depth sessions with Senior Management on a variety of topics important to the business including: cyber security and the EU General Data Protection Regulation to fully understand the practical aspects of the important issues facing the Group including their related risks, accounting judgements and policies. As with any business, there are areas where employees will be required to make individual judgements. We continually monitor these areas in order to ensure that they are appropriately treated and controlled and do not promote inappropriate behaviours.

Audit Committee authority

As an Audit Committee we have been given our authority by the Board and we act in accordance with our written terms of reference. We have complied with our duties under the 2016 UK Corporate Governance Code and followed the best practice guidance set out by the FRC. In performing our role we work closely with both internal and external audit teams in order to ensure our internal control processes remain robust, our financial reporting remains clear and concise and our accounting judgements are appropriate.

Areas of focus for FY18

FY18 will no doubt be another busy year. Our priorities are to:

- (i) continue to develop processes and reporting in respect of IFRS 15 'Revenue from Contracts with Customers', IFRS 9 'Financial Instruments' and IFRS 16 'Leases', which will impact the Group in FY19;
- (ii) continue to monitor the cyber security risks for the business and ensure that the business is in a position to defend itself as the types of cyber attacks evolve;
- (iii) ensure that the business is fully prepared for the EU General Data Protection Regulation; and
- (iv) continue to review the Group's principal risks and uncertainties as Brexit unfolds and the new Government takes shape and adapt accordingly.

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



Jack Lennox

Chairman of the Audit Committee

5 September 2017

Audit Committee role and activity FY17

Main role and activities undertaken during the financial year

The main role of the Audit Committee is to assist the Board in fulfilling its corporate governance obligations relating to the Group's financial reporting practices, internal control and risk management framework. It follows an annual work programme to ensure that its roles and responsibilities are completed throughout the year. The Audit Committee's responsibilities as delegated by the Board are formally set out in its written terms of reference which are available from www.barrattdesvelopments.co.uk/investors/corporate-governance/governance-policies.

Going concern and viability statement

- Assessed the Group's available facilities, headroom and banking covenants.
- Reviewed and challenged management's detailed analysis, which included forecasts and scenarios considering potential downturns in the housing market.
- Satisfied itself, and recommended to the Board, that the going concern basis of preparation continues to be appropriate (page 68).
- Assessed the long term prospects of the Company, and agreed the timescale, the viability statement for disclosure in the FY17 Report and Accounts (page 69).

Committee effectiveness

- Progressed actions arising from the external evaluation from FY16.
- Undertook an internal evaluation of its performance and devised an action plan to address the issues identified (page 56).

Governance

- Ensured a smooth transition to the new Audit Committee Chair, Jock Lemox.
- Considered and recommended for approval the proposed corporate governance disclosures for the 2017 Annual Report and Accounts including fair, balanced and understandable (page 69).
- Received updates on general corporate governance requirements, including the application of the EU General Data Protection Regulation.
- Reviewed and updated its terms of reference.

External audit

- Considered the external auditor's reports on half and full year Financial Statements.
- Met with the external audit partner without management being present.
- Assessed the effectiveness and performance of the external auditor (page 71).
- Assessed and confirmed the independence of the external auditor (page 71).
- Tended the Group's external audit (page 72).
- Agreed external audit terms of reference, fees, and scope for the half and full year ends.
- Regularly reviewed the ratio between audit and non-audit fees (page 71).
- Reviewed the implementation of the EU Audit Regulation and Directive and updated the policy on auditor independence and non-audit fees accordingly (page 71).

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Internal audit

- Received regular updates from the Chief Internal Auditor on matters arising from audits undertaken throughout the business.
- Met with the Chief Internal Auditor without management being present.
- Reviewed and agreed the Internal Audit plan for FY18 with due regard to the principal risks of the Company.
- Assessed the effectiveness of the Internal Audit function during FY17 (page 73).

Integrity of Financial Statements and announcements

- Analysed drafts of half and full year results announcements.
- Reviewed and addressed key accounting judgements and significant issues (see pages 68 and 69).
- Reviewed and approved the Financial Statements for FY16 and agreed the format for the Financial Statements for FY17.
- Reviewed the process established for ensuring that (and opined on whether) the Annual Report and Accounts are fair, balanced and understandable (page 69).
- Considered and approved material accounting policies, estimates and judgements.
- Assessed and approved pension assumptions and reviewed funding levels of the defined benefit pension scheme.
- Received updates on the implications of new accounting standards and key regulatory changes.
- Reviewed the tax strategy of the Group.

Internal control and risk management systems

- Monitored and regularly reviewed the effectiveness of internal controls and risk management systems (including Environment, Social and Governance 'ESG' risks) in the context of the Company's 'appetite for risk' and the potential impact of Brexit and a new Government (page 70).
- Considered regular updates from the Risk Committee which included reports on the Executive and divisional risk workshops, risk registers and residual risk, including ESG risks.
- Considered regular updates from the Chief Internal Auditor on whistleblowing and suspected fraud reports and related investigations (page 73).
- Reviewed and updated the policy framework and the policies specifically allocated to it including the delegation of authority matrix.
- Received updates on the Group's disaster recovery policies and processes including impact of Cyber Security risks.
- Reviewed, and recommended to the Board for approval, the principal risk disclosures for inclusion in the 2017 Annual Report and Accounts (page 41).
- Reviewed the tender procedures in operation throughout the Group.

Membership and attendance at Audit Committee meetings

In compliance with the Code, the Committee comprises exclusively of Non-Executive Directors and each member is considered to be independent by the Company. John Allan is not a member of the Audit Committee. The Board is satisfied that, Jock Lennox has recent and relevant financial experience to Chair the Audit Committee. Jock Lennox succeeded Mark Rolfe as Chair of the Audit Committee on 16 November 2016. Jock is a chartered accountant and chairman of another listed Company Audit Committee and is therefore well qualified to undertake this role effectively. As part of the effectiveness review, the Nomination Committee was satisfied that the Audit Committee as a whole has competence relevant to the sector in which we operate. There were four scheduled meetings during the year. Details of the members and attendance at each of the meetings is shown in **Table 8** and the biographies and qualifications of the members are shown on pages 46 to 47.

Table 8 – Audit Committee attendance

Member	Role	Number of meetings attended
Jock Lennox	Chairman/Member	4/4
Richard Aker's	Member	4/4
Tessa Bamford	Member	4/4
Nina Bibby	Member	4/4
Former members		
Mark Rolfe ²	Chairman	2/2

¹ Jock Lennox was a member of the Audit Committee from joining the Board on 1 July 2016 and became its Chairman on 16 November 2016.

² Mark Rolfe stepped down from the Board on 16 November 2016.

Note

X/ Number of meetings attended whilst a Director.

/X Number of meetings whilst a Director.

In addition to the Company Secretary, the Chief Internal Auditor, George Dobie, and representatives from Deloitte LLP attended each of the Audit Committee meetings. The Audit Committee met the Chief Financial Officer, the Chief Internal Auditor and Deloitte LLP independently of management and the Chairman of the Board. The Chief Executive and other members of Senior Management also attended meetings for parts thereof, by invitation. After each meeting, the Chairman reports to the Board upon the business undertaken by the Audit Committee.

Significant issues considered during the financial year

The significant issues considered by the Audit Committee during the financial year and how each of them was addressed were as follows:

Going concern

The Audit Committee:

- assessed the Group's available facilities, headroom and banking covenants;
- reviewed management's detailed analysis, which included forecasts and scenarios considering potential downturns in the housing market;
- satisfied itself, and subsequently the Board, that the going concern basis of preparation continues to be appropriate in the context of the Group's funding and liquidity position;
- considered the going concern requirements of the Code to ensure compliance; and
- continued to monitor market conditions following the UK's decision to leave the EU and the outcome of the General Election to ensure any appropriate adjustments are made to the Group's strategic and financial planning.

Further details on the Group's going concern assessment can be found on page 124.

Financial reporting

The Audit Committee reviewed the integrity of the Financial Statements of the Group and the Company and all formal announcements relating to the Group's and Company's financial performance. This process included the assessment of the following primary areas of judgement and took into account the views of Deloitte LLP.

Significant critical accounting judgements and key sources of estimation uncertainty for FY17 remained unchanged from FY16 and include:

Significant financial estimates for FY17

Carrying value of land and work in progress

Land and WIP are the most significant assets of the Group and as at 30 June 2017 were carried at £4,404.7m (see note 3.1 to the Financial Statements). The Group undertakes housebuilding and commercial development and the majority of activity carried out is not forward sold before development is commenced. Accordingly, there is a risk that land and WIP may be held at a value in excess of the lower of cost and net realisable (sale) value. The Group conducts half yearly reviews of land and WIP carrying value and if the estimated net realisable value is lower than the carrying value, it impairs the land and WIP value.

How the Audit Committee addressed those estimates

Carrying value of land and work in progress valuation

The Audit Committee considered land and WIP accounting estimate review papers at its August 2016, February and June 2017 meetings. These outlined the review process undertaken and the estimates made with regards to the estimation of further sales proceeds and further build costs. Deloitte LLP reported upon land and WIP carrying value at the February and August meetings in the context of the half year review and year end audit. Following detailed consideration of the accounting estimates papers and the findings of Deloitte LLP, the Audit Committee agreed with the estimates made by management and concluded that the carrying value of our land and WIP remains appropriate.

2017 Annual Report and Accounts: fair, balanced and understandable

The Audit Committee undertook a detailed review of the process undertaken in drafting the Annual Report and Accounts to support its deliberations on whether the 2017 Annual Report and Accounts were fair, balanced and understandable. The process involved various parts of the Group including, the Group Finance team and Company Secretariat with support and advice from other functions and the Company's advisers. This collaborative approach enabled a clear link between the Strategic Report, the Governance section and the Financial Statements. The Audit Committee received an early draft of the 2017 Annual Report and Accounts including the risk management statement and principal risks disclosure to allow itself sufficient time to review the disclosures therein. The Audit Committee then assessed, at its meeting in August 2017, whether the 2017 Annual Report and Accounts were fair, balanced and understandable. In reaching its decision, the Audit Committee reviewed:

- the feedback provided by shareholders in respect of the 2016 Annual Report and Accounts;
- the assurance of the Annual Report and Accounts, in relation to the financial and non-financial management information;
- the balance between statutory and adjusted performance measures;
- the internal processes underpinning the Group's reporting governance framework and the reviews and findings of the Group's external legal advisers and the auditor; and
- a report from the Company Secretary which confirmed that: (i) the Annual Report and Accounts had been reviewed by the Executive Directors; and (ii) the Company had received confirmation from its external advisers, that the Annual Report and Accounts adhered to the requirements of the Code and relevant rules and regulations.

Goodwill and intangible assets impairment review

The Group has £792.2m of goodwill and £100.0m of intangible assets which arose upon the acquisition of Wilson Bowden (see note 4.2 to the Financial Statements). The Group reviews the carrying value of these assets on an annual basis to ensure that the present value of the future cash flows that the housebuilding business is expected to generate is greater than the carrying value of these assets. This review includes a number of judgements around the estimation of future cash flows and the determination of an appropriate rate with which to discount these cash flows.

Goodwill and intangible assets impairment review

The Audit Committee considered a paper on goodwill and intangible assets accounting estimates at its August meeting. This outlined the assumptions made, the sources for these assumptions, and the resulting valuation. Deloitte LLP reported upon goodwill and intangible assets valuation also at the February and August meetings in the context of the half year review and year end audit. Following detailed consideration of the Material Accounting Policies, Estimates and Judgements paper and the findings of Deloitte LLP, the Audit Committee agreed with the estimates made by management and concluded that the valuation of goodwill and intangible assets remains appropriate.

Following detailed consideration, the Audit Committee concluded that the 2017 Annual Report and Accounts:

- accurately reflected the Company's performance in the year under review;
 - contained an accurate description of the business model;
 - the Company's strategy was correctly reflected;
 - the messages were consistent between each of the sections of the Report and Accounts; and
 - the KPIs were consistent with the business plan and remuneration strategy;
- and therefore the 2017 Annual Report and Accounts were fair, balanced and understandable and contained sufficient information for shareholders to assess the Company's position, performance, business model and strategy and recommended as such to the Board.

Long term viability statement

In accordance with provision C.2.2. of the Code and the FRC guidance on Risk Management: Internal Control and Related Financial and Business Reporting, the Audit Committee revisited the timescale over which it could sensibly assess the Company's ability to continue to trade, taking into account the Company's business model and prospects. It concluded that this analysis should continue to be performed over a three-year timespan. Presentations were received from management and it was concluded that there was a reasonable expectation that the Group would be able to continue in operation and meet its liabilities over this three-year period. This was then communicated and recommended to the Board for approval.

The long term viability statement is shown on page 44 of the Strategic Report.

Strategic Report	Governance	Financial Statements	Other Information
	Audit Committee report <i>continued</i>		
	The effectiveness of internal controls and the risk management process The Audit Committee plays a vital role in managing the effectiveness of internal controls and the risk management process on behalf of the Board. The key aspects of the Group's system of internal control and risk management framework are as follows: i) a clear organisational structure with defined levels of authority and responsibility for each operating division; ii) financial and management reporting systems under which financial and operating performance is consistently reviewed against budget and forecasts at divisional, regional and Group levels on a monthly basis; iii) identification and review of principal operational risk areas to ensure they are embedded in the Group's monthly management reporting system. This embeds the identification and control of risk as routine aspects of managerial responsibility. Details of the management of risk system utilised and the principal risks and uncertainties and their relevance to the operations and financial performance of the Group are set out in the Risk management section on pages 40 to 44 of the Strategic Report; and iv) assessment of compliance with the internal control and risk management systems. This assessment is supported by the Group's Internal Audit team which is responsible for undertaking an annual audit plan, ad hoc audits and reporting to the Audit Committee, and if necessary, the Board, on the operation and effectiveness of those systems and any material failings. The planned programme of audit appraisals across Group operations, which is approved by the Audit Committee, is set with reference to the principal risks of the Group including those risks associated with culture, safety, health and environment and other business process areas. It includes full divisional audits and targeted audits of key risk areas such as land acquisition and sale, cost controls and monitoring WIP, Treasury, payroll and HR. Where the Internal Audit team does not have the expertise or resources required to conduct complex audits they use external expertise. 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. The most significant of these to the Group is liquidity risk. Accordingly, there is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management to ensure that risks are promptly identified and appropriate mitigating actions taken. These forecasts are further stress tested at a Group level on a regular basis to ensure that adequate headroom within facilities and banking covenants is maintained. In addition, the Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance, in particular by using financial instruments, including debt and derivatives, to hedge interest and currency rates. The Group does not use derivative financial instruments for speculative purposes. Activities are delegated, by the Board, to a centralised Treasury Operating Committee. The Treasury department implements guidelines in accordance with approved treasury policies that are established by the Board and the Treasury Operating Committee. Specifically in relation to risk management and internal control, the Audit Committee, during the year:		
			➤ monitored and reviewed the effectiveness of risk management and all internal controls; ➤ reviewed a number of process improvements and confirmed that the risk management and internal control systems had been in place and had operated effectively throughout the year ended 30 June 2017; ➤ provided regular reports to the Board in respect of the findings of its monitoring of the effectiveness of the internal controls and risk management process, in order to assist the Board with its assessment that sound risk management and internal control systems had been maintained throughout the year to safeguard shareholders' investments as well as the Group's assets in accordance with principle C.2 of the Code; ➤ assisted the Board to determine the nature and extent of the principal risks that are appropriate for the Group to take in order to achieve its strategic objectives and to be assured that Executive Directors and Senior Management continue to implement and maintain the Group's internal control and risk management systems within the governance and policy framework approved by the Board; ➤ carried out a robust assessment of the principal risks including those that would threaten the business model, future performance, solvency and liquidity and confirmed that they are being appropriately managed; ➤ received presentations from management below Board level to understand risks and controls in a number of areas of the business including: tender processes, Group IT – planning and disaster recovery provision, cyber security, and pension provision and funding; ➤ reviewed in detail the output of the six monthly control self-certification process from each of the divisions; ➤ considered all whistleblowing and suspected fraud reports and actions, including oversight of the investigation relating to tendering and procurement processes in the London business; ➤ reviewed all internal audit results and action plans and the effectiveness of the Group Internal Audit function; ➤ received regular reports from the Risk Committee in respect of the work it had undertaken to review the effectiveness of the Group's internal control policies and procedures for the identification, assessment and reporting of risks and for assessing individual key risks on a rolling basis; ➤ reviewed the concurrency of the principal risks and the risk management framework to determine if the descriptions of their operation were up to date, the system of internal control remains effective and reported their findings to the Board when considering the draft half year and full year Financial Statements; assisted the Executive Committee to prioritise the risk framework by identifying the risks considered most significant to the Group and assessed their potential impact on the business or any risks identified; and ➤ robustly assessed the structure deployed by the Group when assessing risks. This is set out in the Risk management section on pages 40 to 44 of the Strategic Report. The Audit Committee is pleased with the progress with its short and medium term work programmes to date, and recognises that work will need to be continued in these areas during the next financial year.

Review of accounting policies

The Audit Committee considered the accounting standards applied in the year and reviewed the Group's progress on projects to consider the impact of IFRS 9 'Financial Instruments', IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases' upon the Group's accounting policies and Financial Statements. Further information on the impact of accounting standards is on page 125.

External Auditor

i) Audit performance and effectiveness

The Audit Committee assessed the performance of the external auditor and the effectiveness of the external audit for FY17 and FY17. In coming to its conclusion the Audit Committee reviewed amongst other matters:

- feedback on the effectiveness and performance of the external audit from Group, divisional and regional management and the Chief Internal Auditor who were closely involved in both the half year and full year reporting process;
- Deloitte LLP's fulfilment of the agreed audit plan for FY17;
- reports highlighting the material issues and accounting judgements that arose during the conduct of the audit; and
- Deloitte LLP's objectivity and independence during the process.

The Audit Committee concluded that the audit process as a whole had been conducted robustly and that the team selected to undertake the audit had done so thoroughly and professionally. Deloitte LLP's performance as auditor to the Company during FY17 was therefore considered to be satisfactory.

ii) Interaction with the FRC

We can confirm that, during the financial year under review, the Company had no interaction with the FRC's Corporate Reporting Review Team or its Audit Quality Review Team.

iii) Non-audit services

The Committee has approved a policy on the use of the external auditor for non-audit purposes and continually monitors the ratio of non-audit to audit fees to ensure that it does not exceed the 1:1 ratio prescribed by that policy, further details of which are set out in section (iv). At the end of FY17, non-audit fees represented 59% of audit fees. Further details of the audit (including audit-related) and non-audit fees incurred by the Group can be found on page 128.

The majority of the non-audit fees related to other services which comprised advice provided on land acquisitions and disposals and other transactions in the normal course of business, in addition to taxation advice relating to the Chinese representative office. Accordingly, the Audit Committee was satisfied that the work performed by Deloitte LLP was appropriate in the context of ensuring their independence as auditor, particularly given that the audit-related assurance services, relating to the review of the Group's half year report, is usually conducted by the Group's auditor and that the tax advisory services had been managed by a partner who has no involvement with the audit of the Group. This safeguard will be applied to any non-audit work that the auditor may be asked to provide by the Committee. Consequently, the Audit Committee concluded that the level of non-audit fees was justified and did not raise any concerns in terms of Deloitte LLP's independence as auditor to the Group. However, as outlined on page 73 during the year taxation compliance and advisory services were put to a full competitive tender and PricewaterhouseCoopers LLP are now providing these services to the Group.

iv) Auditor independence and non-audit fees policy

In FY16 the Audit Committee performed a thorough review of the policy which the Company has implemented on Auditor independence and non-audit fees [the 'Policy'] to take account of the legislation arising from the European Commission reforms of the EU audit market which became effective from 17 June 2016. In FY17, the Committee again reviewed this policy to ensure it continues to be appropriate. The Policy sets out the duties of the Audit Committee with respect to protecting the objectivity and independence of the auditor and codifies the limited range of services which have been pre-approved by the Audit Committee; permitted services which must be approved by the Audit Committee before being provided; and those services that the Auditor will not be permitted to provide under any circumstances. These are set out in the table on page 72. The Audit Committee also continually monitors non-audit fees paid to the Auditor by the Group.

The review confirmed that the Policy remains fit for purpose and has been drafted in line with the requirements of the Ethical Standard.

Strategic Report	Governance	Financial Statements	Other Information
Audit Committee report continued			
Other non-audit services that have been pre-approved by the Audit Committee		Audit related services still subject to Audit Committee approval ¹	Prohibited services ²
Consultations concerning financial accounting and reporting matters not classified as audit;		Reporting required by law or regulation to be provided by the auditor,	Tax services and compliance (see exceptions below).
training support for accounting, risk management projects, internal audit methodology and systems;		reviews of interim financial information;	services that involve playing any part in the management or decision making process of the Company;
quality assurance procedures;		reporting on regulatory returns;	bookkeeping and preparing accounting records and financial statements/payroll services;
advice and assistance with regard to any risk management related projects and reviews,		reporting to a regulator on client assets;	designing and implementing internal controls related to financial information or designing and implementing financial information technology systems;
If audits not being part of the audit or otherwise related to the Financial Statements of the Company,		reporting on Government grants;	valuation services (see exceptions below);
advice and assistance with respect to general corporate finance and treasury matters;		reporting on internal financial controls when required by law or regulation, and	legal services/internal audit/human resource services;
internal control reviews unless set out elsewhere in the Policy;		extended audit work that is authorised by those charged with governance and performed on financial information and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions.	Services linked to financing, capital structure and allocation, and investment strategy of the Company.
advice and comment on manuals and instructions,			promoting, dealing in or underwriting shares in the Company, and
financial, actuarial and tax due diligence support under direction and responsibility of management related to potential business acquisitions,			any other service that the Audit Committee determines is not permissible.
issuance of comfort letters in respect of information provided to third parties including debt covenants,			
consultation regarding accounting policy,			
regulatory filings – services related to shareholder circulars issued in accordance with the Listing Rules of the FCA, and			
annual review of the Company's Sustainability Report.			
1. Non-audit fees including audit related non-audit services still subject to Audit Committee approval are subject to certain annual limits. 2. Exceptions to prohibited services ➤ Certain tax and valuation services, including tax advice will be allowed provided ➤ they have no direct or clearly inconsequential effect on the audited Financial Statements, ➤ the auditor has documented and explained the estimated effect on the Financial Statements in their report to the Audit Committee, ➤ the ethical principles of the ethical standards are upheld, and ➤ significant reliance is not placed on the results of the non-audit service for the purpose of the audit. As per the previous year, the Policy continues to include restrictions on the recruitment of employees from Deloitte LLP, so that no employee (at whatever level of seniority) involved in the Company's audit for a two-year preceding period can be hired without the pre-approval of each of the Chairman of the Company, the Chair of the Audit Committee and the Chief Financial Officer. With effect from 1 July 2016, Deloitte LLP no longer provided services to the Group that are prohibited under the Policy. Where the auditor does provide non-audit services, independence and objectivity is maintained as they are managed by a partner with no other involvement with the Audit of the Group. Tax compliance services provided by Deloitte LLP concluded during FY16 and are now provided PricewaterhouseCoopers LLP. Under the Policy the Company is required to annually obtain written confirmation from Deloitte LLP that they remain independent. For FY17 Deloitte LLP provided a comprehensive report to the Audit Committee verifying that they have performed their audit and audit-related services in line			
with independence requirements and explaining why they believe that they remain independent within the requirements of the applicable regulations and their own professional standards. The report also explains why the ratio of audit to non-audit fees and the extent and type of non-audit services provided by them is appropriate. Following receipt of such confirmations and the completion of their own review, the Audit Committee endorsed Deloitte LLP's conclusions that the Policy had been appropriately complied with throughout the year under review; there were no items that may affect the independence of the auditor; and non-audit fees were of an appropriate level. External audit tender As announced in the 2016 Audit Committee report, a tender process for the Company and Group's external audit service was completed during the first half of the year under review. The vigorous, full and transparent process undertaken is outlined below. The Company invited two audit firms to tender for the audit of the Group, in addition to the incumbent auditor Deloitte LLP, who had indicated their wish to be re-appointed. The tender process took place in October and November 2016. Each tender participant: ➤ was provided with an invitation to tender document; ➤ was given access to a data room containing sufficient information on the Group necessary for them to arrange their proposal;			

- attended visits, arranged by the Company as requested;
- submitted a written tender document; and

- was given the opportunity to present to a specially arranged Audit Tender Panel which consisted of the Chief Financial Officer, the Chair and Chair elect of the Audit Committee, the Chief Internal Auditor, the Group Financial Controller and Head of Group Accounting.

In advance of the presentations, the Audit Tender Panel agreed a set of selection criteria against which the participants could be assessed. This criteria included, but was not limited to: strength of the leadership team; cost; sector knowledge; independence; governance and professionalism. Following the presentations the Audit Tender Panel discussed the merits of each tender document, and each participant's presentation and unanimously agreed to recommend to the Audit Committee that Deloitte LLP be re-appointed as the auditor of the Group.

The Audit Committee considered the results of the tender process and the recommendation of the Audit Tender Panel. Based on the information provided, the Audit Committee recommended two potential auditors for FY18 to the Board noting that Deloitte LLP was the preferred choice. The Board, in arriving at its conclusion, took into account:

- the advice of, and information provided by, the Audit Tender Panel and the Audit Committee;
 - that Claire Faulkner, who led the audit tender process on behalf of Deloitte LLP, would replace Mark Goodey (who was appointed on 2 July 2012 and was required to rotate in line with the FRC guidelines) as lead audit partner. This would help to preserve Deloitte LLP's objectivity and independence; and
 - Deloitte LLP's continued performance as the incumbent auditor.
- Accordingly, the Board unanimously agreed to re-appoint Deloitte LLP as the Auditor for the Company commencing with the FY18 audit.

The Committee confirms compliance with the provisions of the CMI Order 2014.

Internal Audit function

During the year, the Audit Committee received reports from the Chief Internal Auditor on the findings of internal audits conducted throughout the business, together with details of the proposed actions to rectify any issues identified. The Internal Audit function is fully independent of business operations and has a Group-wide mandate. The Chief Internal Auditor attends all Audit Committee meetings. In addition, the Audit Committee monitors and reviews the systems and processes adopted by the Internal Audit function to ensure that they remain fit for purpose. During the year the Committee reviewed the effectiveness of the Internal Audit function.

The Chief Internal Auditor presented to the Committee a formal review of the effectiveness of the Internal Audit function. The Chief Internal Auditor answered questions from the Audit Committee on the contents of that report and other aspects of Internal Audit's performance during the year. Following this review, the Audit Committee confirmed that in its opinion, the Internal Audit function had operated effectively and provided an appropriate level of independent scrutiny of the operations of the Group.

Tender of the taxation services

Following the introduction of the revised policy on Auditor Independence in 2016, Deloitte LLP were unable to continue to provide taxation services to the Group. Five firms were therefore invited to tender to provide ongoing taxation services. Following a competitive tender process it was agreed that PricewaterhouseCoopers LLP had the capability and strength to best advise the Group on its tax affairs and they were therefore appointed to provide services with effect from 23 December 2016.

Audit Committee effectiveness

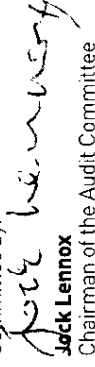
The 2016 performance evaluation of the Audit Committee was generally positive with the one main outcome being for more of a strategic view of financial and audit issues to be taken. The Audit Committee has successfully implemented this recommendation. Presentations to the Audit Committee must now include a more strategic outlook, with detail available to the Committee. This year the Audit Committee's evaluation was performed internally along with the Board effectiveness review. The outcome of the review was positive, particularly in respect of each member having a clear understanding of what is expected of them to undertake and discharge their responsibilities. The outcomes and actions arising from each review are described in more detail on pages 55 and 56.

Whistleblowing

The Chief Internal Auditor updated the Audit Committee at each meeting on new whistleblowing incidents, ongoing investigations and the outcome of any completed investigations. On the back of these updates, the Audit Committee assessed the adequacy of the Group's whistleblowing policy in accordance with the requirements of the Code. It reviewed the whistleblowing procedure adopted by the Group, including steps that can be taken to enhance awareness of the process, to ensure it remains appropriate and available to those who need to raise concerns. The procedure allows individuals who become aware of possible improper, unethical or even illegal behaviour to raise the matter with their manager or alternatively refer the matter to a confidential and independent telephone number (the 'Whistleblowing Number').

The Whistleblowing Number is available to all employees (together with sub-contractors and suppliers) 24 hours a day, seven days a week. Any issues reported to the Whistleblowing Number are immediately brought to the attention of the Chief Internal Auditor. The Chief Internal Auditor reviews and investigates the issues and, at his sole discretion, can seek guidance from appropriate individuals within the Group, such as the Company Secretary, as and when necessary.

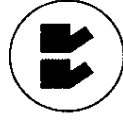
This report forms part of the Corporate Governance report and is signed on behalf of the Audit Committee by:


Jack Lennox
 Chairman of the Audit Committee

5 September 2017

Safety, Health and Environment Committee report

Image removed



Health and safety is our number one priority throughout all of our business operations.

Richard Akers

Safety, Health and Environment
Committee Chairman

Statement from the Chairman of the Safety, Health and Environment Committee

Safety, Health and the Environment ('SHE') remains our number one priority throughout the Group and is embedded within the day to day operations of the business.

This Committee primarily oversees and provides stewardship of the Group's SHE operational performance. Its activities help mitigate one of our key operational risks, as well as improve our performance through underpinning efficient working practices, saving direct costs associated with incidents, and supporting the culture and ongoing sustainability of the Group.

The tragic events at Grenfell Tower in London illustrate why health and safety must always remain the first priority for the building industry. Fire safety is core to the way we plan and build our developments. Following the fire at Grenfell Tower, we conducted a review of our sites and continue to ensure we are maintaining the highest standards of building safety.

The Committee has formal terms of reference, which have been reviewed during the year.

The terms of reference are available at www.barrattddevelopments.co.uk/investors/corporate-governance/governance-policies.

The key aspects of this Committee's role as defined in these terms of reference are to:

- oversee the Group's compliance with the SHE management system;
- identify and monitor SHE risks or exposures for the business and determine how best to mitigate against them;
- establish and maintain policies in respect of all areas relating to safety, health and the environment;
- review the scope of and assess the outcome of annual SHE internal and external audits and agree necessary actions with the Group Safety, Health and Environmental Director ('SHE Director');
- receive assessments from the Group SHE Director on specific incidents to gain an understanding of what caused it, details of the internal and external (if any) investigations that are being/have been undertaken and details of what steps have been taken or controls put in place to mitigate against the incident recurring; and
- agree and recommend to the Remuneration Committee targets for any SHE performance measures which are to be applied to the annual bonus scheme and monitor performance against such measures.

The Committee continues to work closely with the SHE Operations Committee and to further enhance this relationship, at least one joint meeting is held. The joint meeting allows this Committee to gain more of an in-depth understanding of the issues from an operational perspective and to discuss them directly with those responsible for day to day management.

Key achievements in FY17

We strive to ensure that our people, whether employees, sub-contractors or members of the public, remain safe throughout the whole construction and sales process of our developments and in our wider business. We aim to arrange a SHE site visit for each Director during the calendar year. These visits aim to provide an insight into how SHE is managed in addition to providing more detailed information on some of the initiatives we have put in place to further improve the SHE culture on our sites. The visit involves a site tour with the SHE Director and site team during which the challenges and objectives to managing risk on site are reviewed and discussed. Not only do these visits provide an important role in ensuring our Board has a full understanding of this vital part of our business, it also benefits the site teams to see the emphasis being placed on SHE by the Board.

We have continued to monitor our SHE performance targets, our key performance indicator and our injury incidence rate, which are available in the Strategic Report and our Sustainability Report. Our injury incidence rate continues to improve, helped by targeted campaigns and our focus on identifying the root causes of incidents, and implementation of best practice across the Group. During the year we have provided defibrillators to all of our sites and offices for use in an emergency. We have arranged appropriate training for our teams on how to use the equipment and it has been added to our training programmes going forward.

We have continued to operate the SHE management system that enabled us, in FY16, to achieve 5-star status with the British Safety Council following their health and safety audit. Despite this rating we refuse to become complacent and continually monitor, review and amend (as necessary) our SHE policies, processes and procedures that we operate throughout our business to ensure that they remain up to date and relevant to the business. The external verification of our health and safety approach and the quality of our policies and procedures is important but, of more importance is the impact our policies have on keeping our people safe in the workplace. Consequently, all employees are required to familiarise themselves with these policies, processes and procedures during their induction and are required to attend various health and safety courses throughout their time with the Group. During FY17 the SHE training matrix modules have been reviewed and updated making them more specific and focused on Barrat and the industry in which we operate. In particular, our site management training programmes have been enhanced, as have some more specific items such as scaffold inspection. We have also extended the availability of bespoke training on SHE matters throughout the Group. All Senior Management have also completed the IOSH Leading Safety training course. In addition, we have launched an initiative to work with local schools to highlight the potential dangers of construction sites to their pupils. The 'Working Safely with Schools' initiative includes a short film and various puzzles enabling the pupils to engage with the subject area, and a number of other elements to enhance the learning experience for a younger audience. We have done this because we acknowledge that construction sites hold a natural fascination for pupils and we see it as our duty to raise the awareness amongst this young audience of the dangers that may exist on a building site.

Areas of focus for FY18

During FY18, we will:

- concentrate on the augmentation of our wellbeing and occupational health programmes and support our supply chain to meet this obligation,
 - implement a programme of random drugs and alcohol testing in line with our policy in this area; and
 - update our SHE management system to comply with ISO14001
- Our most important asset is our people and therefore it is important that the safety and wellbeing of all employees (direct or indirect) remains a top priority for this Committee and the Group Board

Membership and attendance at SHE Committee meetings

The Directors who are members of the SHE Committee and their attendance at the two scheduled meetings during the year are shown in **Table 9**. The Group's SHE Director is also a member and the Company Secretary acts as Secretary to the Committee.

Only members of the SHE Committee have the right to attend meetings, however other individuals may be invited, at the request of the Chairman, to attend all or part of any meeting where it is deemed appropriate.

Table 9 – SHE Committee attendance

Member ¹	Role	Number of meetings attended
Richard Akers	Chairman	2/2
Steven Boyes	Member	2/2

¹Members of the SHE Committee are required to attend all meetings.

²Richard Akers attended 2/2 meetings and Steven Boyes attended 2/2 meetings.

The SHE Operations Committee reports directly to the SHE Committee with the Group SHE Director presenting direct reports to these Committees and to the Board. The Group SHE Operations Committee is responsible for implementing and oversight of the overall SHE improvement strategy for the Group.

Richard Akers

Chairman of the SHE Committee

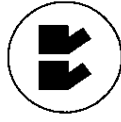
5 September 2017



Remuneration report

Annual statement from the Chairman of the Remuneration Committee

Image removed



Our Remuneration Policy continues to align Executive Directors' interests with those of shareholders and is sufficiently robust to ensure Executive Directors are paid for performance whilst ensuring long term shareholder value.

Richard Akers
Remuneration Committee Chairman

On behalf of the Board, I am pleased to present our Remuneration Report for the financial year ended 30 June 2017. Our Remuneration Report comprises of three parts: this Annual Statement, the Remuneration Policy and the Annual Report on Remuneration.

Remuneration Policy

Shareholders last approved our Remuneration Policy in November 2014 with 99% of the votes in favour. In accordance with the requirements of the Companies Act 2006, our Remuneration Policy is due to be presented for a binding vote by shareholders at our AGM in November 2017. We therefore conducted a thorough review of the Remuneration Policy during the financial year to ensure that it remains fit for purpose and is in line with shareholder expectations. In doing so, we have carefully considered the various proposals by Government and other organisations on potential changes to Executive remuneration including disclosure requirements. We will continue to monitor these and propose changes to remuneration as deemed necessary. No changes will be made to the Remuneration Policy without further consultation with our shareholders.

Outcome of our review and shareholder consultation

Following support from the Investment Association and the BEIS Select Committee for alternative remuneration structures, we discussed the possibility of replacing LTPP awards with restricted share awards during the review of our Remuneration Policy. We however, decided not to change to restricted shares for the following reasons:

- (i) Part of the reason for change would be to reduce complexity. We believe that our proposed arrangements are very clear and understandable and we have made a number of changes to the policy to reduce the number of schemes and measures and to continue to ensure effective reporting of outcomes;
 - (ii) there is a strong link between the current LTPP performance measures and the returns to shareholders. If restricted awards were to be granted in place of LTPPs the alignment with shareholders would be weakened;
 - (iii) based on advice from our remuneration consultants, the quantum of restricted awards would need to be reduced in comparison to the level of LTPP awards, particularly if there are no performance conditions attached. One of the business' major challenges is to attract and retain the very best people in an industry where there is a significant skills shortage and we believe that the performance-based incentive provided by the LTPP is important to achieving this objective; and
 - (iv) our LTPP is also granted by way of a Senior Management Incentive Scheme to more than 200 employees across the business. We believe that the targets set create a strong incentive to perform and an alignment with Executive Directors and shareholders.
- Based on the above, we concluded not to adopt any alternative remuneration structures at this time but will keep the matter under review.

On conclusion of our internal review, which was conducted with the support of our remuneration consultant, New Bridge Street, we consulted with key institutional shareholders and voting agencies on the changes proposed to our Remuneration Policy. Overall, the feedback received was positive. Accordingly, the following minor amendments are proposed to simplify our Remuneration Policy and further align with our shareholders:

- introduction of the accrual of dividend equivalents during the vesting period on Deferred Bonus Plan and LTPP awards. Any dividend equivalent accrued will be adjusted in line with the level of the award that actually vests. Regard will also be given to quantum of an award at the time of grant;
- inclusion of more flexibility for the Committee to determine performance conditions for the LTPP, taking into account the strategy of the business and the economic conditions at the time of grant;
- removal of the matching element from the Deferred Bonus Plan;
- removal of the ability to grant further options under the Executive Share Option Scheme;
- increase the shareholding requirement for all Executive Directors from 150% to 200%; and
- reduce the level of pension contribution/cash supplement in lieu of pension from 25% to 15% for any new Executive Directors joining the Group. This level is in line with that awarded to Senior Management across the Group and with that awarded by other companies within the sector.

Payments for loss of office

The payments agreed for Neil Cooper on leaving the business on 19 January 2017 by mutual agreement are set out throughout the Annual Report on Remuneration. In summary, it was agreed that Neil would, in accordance with his service contract, continue to receive his salary in lieu of notice, a cash supplement in lieu of pension and private health insurance for a period of 12 months, or if earlier, up to the date on which he obtained alternative employment. In addition, Neil was paid in lieu of holidays earned but not taken, the shares deferred in respect of the bonus earned for FY16 were released to him and we made a capped contribution towards legal fees incurred in connection with his loss of office. His other share based awards lapsed on cessation of his employment. With effect from 5 June 2017, Neil Cooper secured alternative employment and accordingly his monthly sum in respect of salary has been adjusted (see page 103 for further details).

Remuneration for new Chief Financial Officer

On 22 June 2017, we announced the appointment of Jessica White as Chief Financial Officer. In considering the level of remuneration to award Jessica, the Committee took into account the remuneration package previously provided to Neil Cooper and Jessica's level of experience, knowledge of the business and location. The Committee also benchmarked her potential package against finance directors within the industry. On this basis, the Committee agreed that a salary of £400,000 per annum with a 15% pension contribution was appropriate. Jessica's salary will be reviewed on an annual basis. In addition, Jessica will be invited to participate in the LTPP on the same basis as the other Executive Directors and any awards which were granted to Jessica prior to her appointment as Chief Financial Officer will remain unchanged.

For the avoidance of doubt, David Thomas will receive no additional remuneration for also covering the role of Chief Financial Officer for a period of five months whilst we recruited a new Chief Financial Officer.

FY17 Performance and reward

The start of the financial year was impacted by the result of the EU Referendum which caused huge uncertainty and some significant downgrades to profit forecasts by analysts. Whilst target setting was delayed, the Committee did not reduce the stretch targets which were under consideration prior to the EU Referendum result. Despite this uncertainty, the continued focus and strong leadership of the Executive Directors and Senior Management team has resulted in another successful year with the business meeting or exceeding all financial and non-financial performance targets (see pages 4 and 5). Accordingly, in recognition of this, the Committee agreed that the financial performance of the Company fully supports an annual bonus payment of 146.3% of salary for Executive Directors.

In addition, the LTPP award granted in October 2014 was tested after the year end and 100% of the award vested. The net shares (after the payment of any tax and NI due on release) will be subject to a further two-year holding period. Full details of the achievements against each of the bonus and LTPP targets can be found on pages 95 to 97.

FY18 Executive Directors' remuneration

Details of the remuneration proposed for each of the Executive Directors for the financial year ending 30 June 2018 are set out on pages 92 and 93. Salary increases are in line with the wider workforce and pension contributions, annual bonus opportunity and LTPP award levels remain unchanged from the previous financial year. Changes have, however, been made to the performance metrics for the annual bonus and the LTPP.

Annual bonus – the scheme has been further simplified by reducing the number of performance metrics from five to three, with majority weighting continuing to be placed on profit before tax (see page 92 for further details).

LTPP – the comparator group used for measuring TSR performance has been amended so as to provide a directly comparable assessment of the Company's TSR performance against other housebuilders. Accordingly, TSR will be measured against a 50-/50- comparator group of the FTSE companies with market capitalisations either side of the Company and against a Housebuilder index. Each of these will represent 50% of the TSR element. The Housebuilder index will comprise: Bellway PLC, The Berkeley Group Holdings PLC, Taylor Wimpey PLC, Persimmon PLC, Redrow PLC, Bovis Homes Group PLC, Countryside Properties PLC, Crest Nicholson Holdings PLC, and Gatlifford Try PLC.

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

In addition, on future awards ROCE will be calculated excluding land creditors ('Underlying ROCE'). This means that for the purposes of our remuneration target, land creditors, which are a form of indebtedness, will be added back to our capital employed position in exactly the same way as we currently treat net cash and net debt. This will ensure that the Underlying ROCE targets remain aligned with shareholders' best interests with regards to the Group's optimal level of gearing. The removal of land creditors from the calculation of ROCE will not otherwise change the basis of the calculation. Accordingly, this change should not make the metrics any more or less onerous than they would be if land creditors continued to be included.

Conclusion

The Committee believes that the revised Remuneration Policy and our current remuneration practices will continue to drive appropriate behaviours by management. They continue to align the Executive Directors with shareholders through the targets we have set, the requirement to retain a specific level of shareholding in the Company, to defer any bonus achieved in excess of 100% of base salary and to hold shares acquired under the LTIP (net of tax) for a period of two years following vesting.

We therefore hope that you will, as you have done in previous years, support the new Remuneration Policy, the outcomes for FY17 and the remuneration for FY18. On behalf of the Board I would like to thank you for your continued support of our remuneration framework and I look forward to seeing many of you at the AGM in November 2017.



Richard Akers

Chairman of the Remuneration Committee

5 September 2017

Our remuneration strategy

Our most important asset is our people. Our remuneration strategy seeks to ensure that remuneration is clearly linked to the delivery of sustainable shareholder value and that the employees are appropriately rewarded for performance against the Group's key objectives.

Aims of our Remuneration Policy:

- promote the long term success of the Company and be fully aligned with the performance and strategic objectives of the Group in order to enhance shareholder value;
- reward the delivery of profit, the maintenance of an appropriate capital structure and the continued improvement of return on capital employed by the business whilst ensuring that Executive Directors and Senior Management adopt a level of risk which is in line with the risk profile of the business as approved by the Board;
- reflect the interests and expectations of shareholders and other stakeholders;
- 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; and
- ensure that there is no reward for failure; termination payments (if any) are limited to those that the Executive Director (or member of Senior Management) is legally entitled to, and in exercising its discretion, the Committee robustly applies the 'good' and 'bad' leaver provisions as defined in the rules of each of the share schemes operated by the Group.

In developing its policy the Committee has regard to:

- the Company's business strategy, ensuring that targets support the achievement of business strategy and key KPIs;
- the performance, roles and responsibilities of each Executive Director or member of Senior Management;
- arrangements which apply below Senior Management level, including average base salary increases;
- information and surveys from internal and independent sources; and
- the economic, environmental and financial performance of the Group.

For full details of our Directors' Remuneration Policy see pages 80 to 89 of this Annual Report and Accounts.

Remuneration report – Overview for FY17

The summary below outlines the remuneration package for Executive Directors throughout the year under review, together with the targets set for variable remuneration, our performance against such targets and the resulting remuneration outcomes. Full details can be found in the Annual report on remuneration on pages 92 to 105.

Executive Directors’ remuneration package for the year ended 30 June 2017

Fixed element (c. 27% of total reward assuming maximum performance)	
Salary + Pension + Benefits	
Performance-related element (c. 73% of total reward assuming maximum performance)	
Annual incentive	Long term incentive

Icon removed Annual Bonus (max 150% of salary)	Icon removed Bonus in excess of 100% of salary deferred into shares	Icon removed Long Term Performance Plan (max 200% of salary)
FY17 Performance metrics and link to strategy:		
Financial – 110% of salary Profit before tax – 65% (support profitability) Land – 22.5% (drive the ownership of optimum amount of land to support business activities) Capital employed – 22.5% (Maintain focus on the capital employed position)	Non-financial/strategic/personal – 40% of salary Quality and Service – 20% (to create a quality product in a safe way that customers recommend) Personal Objectives – 20% (incentivise the achievement of role specific targets)	FY17 Performance metrics and link to strategy: Earnings per Share (‘EPS’) – 1/3 (to support the increase of earnings) Return on capital employed (‘ROCE’) – 1/3 (optimises the efficiency and profitability of investments) Total Shareholder Return (‘TSR’) – 1/3 (aligns the interests of Directors with those of shareholder(s)) Two-year continued holding period commencing at the end of performance period

Chief Executive – Total remuneration FY17	Deputy Chief Executive – Total remuneration FY17	Chief Financial Officer – Total remuneration FY17																								
Joined the Board on 22 June 2017 and the figures reflect remuneration received since joining the Board																										
Graph removed	Graph removed	Graph removed																								
<table><tr><td>Salary, pension and benefits</td><td>£000</td></tr><tr><td>Annual incentive</td><td>887</td></tr><tr><td>Long term incentive</td><td>1,019</td></tr><tr><td></td><td>1,425</td></tr></table>	Salary, pension and benefits	£000	Annual incentive	887	Long term incentive	1,019		1,425	<table><tr><td>Salary, pension and benefits</td><td>£000</td></tr><tr><td>Annual incentive</td><td>751</td></tr><tr><td>Long term incentive</td><td>806</td></tr><tr><td></td><td>1,425</td></tr></table>	Salary, pension and benefits	£000	Annual incentive	751	Long term incentive	806		1,425	<table><tr><td>Salary, pension and benefits</td><td>£000</td></tr><tr><td>Annual incentive</td><td>12</td></tr><tr><td>Long term incentive</td><td>14</td></tr><tr><td></td><td>51</td></tr></table>	Salary, pension and benefits	£000	Annual incentive	12	Long term incentive	14		51
Salary, pension and benefits	£000																									
Annual incentive	887																									
Long term incentive	1,019																									
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Long term incentive	806																									
	1,425																									
Salary, pension and benefits	£000																									
Annual incentive	12																									
Long term incentive	14																									
	51																									

Remuneration report

Directors' Remuneration Policy

The Company's current Directors' Remuneration Policy (the 'Current Policy'), was approved by shareholders at the 2014 AGM with 99% of the votes cast being in favour. As required by the Companies Act, the Company will be presenting a new policy (the 'New Policy') to shareholders for approval at its AGM in November 2017. It is intended that the New Policy as set on pages 80 to 89 will, subject to shareholder approval, apply for a period of three years commencing from 15 November 2017.

The New Policy aims to support and drive the Group's strategy by challenging and motivating Executive Directors to deliver value for shareholders and promote the success of the Company over the longer term. It continues to ensure that the fixed and variable remuneration elements are simple, transparent and aligned with the interests of shareholders and designed to reflect the views of our investor shareholder bodies and other stakeholders. The New Policy, once effective, will be reviewed on an annual basis in the context of the business environment, regulation, best practice and market trends for the current and subsequent financial years.

Future policy table

The following table sets out the policy for each of the key elements of Directors' remuneration. A description of how the Company intends to implement the New Policy during FY18 can be found on pages 92 to 93. Any changes made to the Policy are as a consequence of consultation with shareholders or to bring remuneration practices in line with those of the market. To the extent that there is any change from the Current Policy, this is set out below.

Element of pay	Purpose and link to Company's strategy	How operated in practice	Maximum opportunity	Description of performance metrics ¹	Changes to 2017/18 remuneration policy from the previous year ²
Base salary	To provide a competitive salary relative to comparable companies in terms of size and complexity. To help promote the long term success of the Company, to reward individuals based on the scope of the role, and to attract and retain high-calibre Executive Directors to deliver the Group's strategy.	Normally reviewed annually and fixed for 12 months with any increases usually effective from 1 July. The Committee considers: - individual responsibilities, skills, experience and performance; - the level of pay increases awarded across the Group (with the exception of promotions); - the size and responsibility of the role, economic and market conditions, and the performance of the Group. The Committee, when setting salaries does take into account salary levels for similar positions in the housebuilding sector and within companies of a similar size to the Group. The Committee does have the discretion to vary salaries in the event there are changes to any of the above within the 12 month period for which salaries have been fixed. Salaries are paid monthly in arrears.	There is no prescribed maximum annual increase.	N/A	No change.
			The Committee is guided by the general increase for the broader UK employee population but on occasions may need to recognise changes in the role and/or duties of a Director; movement in comparator salaries, and salary progression for newly appointed Directors. The Committee retains the right to approve a higher increase in exceptional cases, such as major changes to the Executive Director's role/duties; new recruits; or internal promotions to the position of Executive Director whose salary was set lower than the market level for such a role and a higher increase is justified as the individual becomes more established in the role. In these circumstances a full explanation of the increases awarded will be provided in the Annual report on remuneration.		

¹ The Committee reviews performance targets on an annual basis taking into account performance of the Group throughout the previous financial year, internal and external forecasts, and consensus figures for the performance period. The performance targets are designed to be sufficiently stretching in order to ensure that maximum payout is only achieved for delivering exceptional performance.

² This column does not form part of the binding policy report but is intended to provide the reader with additional information to help them put the New Policy into context.

Element of pay	Purpose and link to Company's strategy	How operated in practice	Maximum opportunity	Description of performance metrics ¹	Changes to 2017/18 remuneration policy from the previous year ²
Benefits (taxable)	To help promote the long term success of the Company and to attract and retain high-calibre Executive Directors and to remain competitive in the marketplace.	Benefits normally include: – company car; – private medical insurance; – some telephone costs; and – contributions towards obtaining independent financial advice. New benefits offered to the wider workforce will also be offered to Executive Directors on the same basis. The Committee does have the discretion to offer other benefits, it deems appropriate, to secure the appointment of a new Executive Director and to ensure that the benefits package for existing Executive Directors remains competitive in the market.	There is no formal maximum. Benefits are provided based on market rates.	N/A	Executive Directors may receive new benefits on same basis as offered to the wider workforce.
Pension	To help promote the long term success of the Company; to attract and retain high-calibre Executive Directors; and to remain competitive in the marketplace.	In accordance with legislation, Executive Directors are enrolled into a workplace pension. If Executive Directors choose to opt-out of the workplace pension they can elect to either: – participate in the Company's money purchase pension plan; or – receive a salary supplement. Executive Directors are also eligible to an insured lump sum of up to five times pensionable salary on death in service. The Committee retains the discretion to honour the pension contribution for those individuals who are internally promoted to the position of Executive Director. Steven Boyes remains a member of the defined benefit section of the Group's pension scheme which closed to new entrants in 2001 and future accrual of defined benefits for current members ceased to be offered on 30 June 2009.	Existing Directors: Defined contribution scheme or salary supplement not exceeding 25% of base salary. Defined benefit scheme: 1/60 accrual rate and a retirement age of 65. New Directors: Defined contribution scheme or salary supplement not exceeding 15% of base salary, being the Company's contribution rate for Senior Management below Executive Director level.	N/A	Pension cap for existing Executive Directors reduced from 30% to 25% of salary. Any individual joining as an Executive Director after this policy comes into force will be offered a pension on the same basis as Senior Management below Executive Director level, currently 15% of base salary.

1. The Committee reviews performance targets on an annual basis taking into account performance of the Group throughout the previous financial year, internal and external forecasts and consensus figures for the performance period. The performance targets are designed to be suitably stretching in order to ensure that maximum payout is only achieved for delivering exceptional performance.

2. This column does not form part of the binding policy report but is intended to provide the reader with additional information to help them put the Policy into context.

Remuneration report – Directors' Remuneration Policy continued

Element of pay	Purpose and link to Company's strategy	How operated in practice	Maximum opportunity	Description of performance metrics ¹	Changes to 2017/18 remuneration policy from the previous year ²
Annual bonus	To motivate and reward Executive Directors for the achievement of demanding financial and non-financial objectives and key strategic measures over the financial year. Variable remuneration allows the Group to manage its cost base by giving it the flexibility to react to changes in the market and any unforeseen events.	The Committee has an absolute discretion whether or not to award a bonus and as to the level of bonus to be awarded up to a maximum of 150% of base salary. The level of bonus to be awarded will be determined with reference to the performance of the Company against the relevant performance conditions and the underlying financial and operational performance of the business relative to the sector (as noted in the column to the right). The Committee sets annually financial and non-financial performance targets taking account of the Company's goals and budget for the relevant financial year. Group and individual performance against these targets is measured at the end of the financial year and the level of bonus payable is calculated at that point. The Committee retains the discretion to decide whether or not to pay an annual bonus to an Executive Director who has handed in their notice and to determine, in respect of any employee who is a 'good leaver', whether any annual bonus earned in excess of 100% of salary should be paid in cash and not deferred into shares. Malus and Clawback applies to both the cash and deferred element of the bonus, in the event of material misconduct and/or material misstatement or error of financial results. For full details see page 86. When setting bonus targets, the Committee considers the effect of corporate performance on environmental, social and governance risks and sustainability issues generally to ensure that remuneration structures do not inadvertently motivate irresponsible behaviour. Where the Committee believes that performance does not warrant the level of bonus determined, it may use its discretion to reduce the award (possibly to nil) as it deems appropriate. No Executive Director has any contractual right to receive a bonus. Annual bonus is not pensionable.	150% of base salary. 50% of the potential maximum bonus (75% of salary) is payable for achievement of on-target performance.	The performance targets set are stretching whilst having regard to the nature and risk profile of the Company and the interests of its shareholders. The focus of the performance targets is to deliver profit growth and to ensure we have an adequate land bank acquired within the constraints of our Balance Sheet commitments. Performance measures normally include – financial items (e.g. profit before tax, margin growth, net debt/land creditors, or land commitment). – non-financial items (e.g. quality and service, health and safety and personal objectives). The Committee has the discretion to vary the elements of each of these items and weightings of each component on an annual basis to ensure that they remain aligned to the strategy of the business and to market conditions. Financial items will normally however have majority weighting.	No change.

1. The Committee reviews performance targets on an annual basis taking into account performance of the Group throughout the previous financial year, internal and external forecasts and consensus figures for the performance period. The performance targets are designed to be sufficiently stretching in order to ensure that maximum payout is only achieved for delivering exceptional performance.

2. This column does not form part of the binding policy report but is intended to provide the reader with additional information to help them put the New Policy into context.

Element of pay	Purpose and link to Company's strategy	How operated in practice	Maximum opportunity	Description of performance metrics ¹	Changes to 2017/18 remuneration policy from the previous year ²
Deferred Bonus Plan ('DBP')	Any annual bonus which is deferred into shares is held in this plan. The aim is to encourage long term focus and to further align interests with those of shareholders and discourage excessive risk taking.	Deferred shares are normally granted in the form of a conditional award and are held in accordance with the rules of the DBP. Deferred shares will normally accrue dividend equivalents during the deferral period. Dividend equivalents may be paid in cash or shares on the vesting of the award. Malus and Clawback may apply in the event of material misconduct and/or material misstatement or error of financial results. For full details see page 86.	Any bonus paid in excess of 100% of salary is deferred into shares and held in the DBP, unless the Committee determines otherwise in the case of a good leaver.	No performance conditions apply to the vesting of awards other than continued employment condition.	– Matching awards will no longer be available under the DBP. – Introduction of accrual of dividend equivalents between the grant and vesting of the award.

1 The Committee reviews performance targets on an annual basis taking into account performance of the Group throughout the previous financial year, internal and external forecasts and consensus figures for the performance period. The performance targets are designed to be sufficiently stretching in order to ensure that maximum payout is only achieved for delivering exceptional performance.

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Remuneration report – Directors' Remuneration Policy continued

Element of pay	Purpose and link to Company's strategy	How operated in practice	Maximum opportunity	Description of performance metrics ¹	Changes to 2017/18 remuneration policy from the previous year ²
Long Term Performance Plan (LTTP)	To motivate and reward Executive Directors for the delivery of the long term performance of the Group. To facilitate share ownership by Executive Directors.	The rules of the LTTP were first approved by shareholders at the 2012 AGM. LTTP awards: i. are normally granted annually in the form of conditional awards or nil-cost options at no cost to the Executive Director; ii. are at the discretion of the Committee, taking into account individual performance and the overall performance of the Group; iii. are subject to the achievement of stretching performance conditions measured over three financial years with a subsequent two-year holding period. Awards may therefore only be realised on conclusion of the five-year combined period; iv. can be satisfied by either newly issued shares or shares purchased in the market. Newly issued shares are subject to the dilution limits set out in the scheme rules and in accordance with guidelines from the Investment Association; and v. in accordance with the changes to the rules, subject to approval at the 2017 AGM, awards may, at the discretion of the Committee, accrue dividend equivalents. Any accrued dividend equivalent will be prorated, depending on the level of award vesting. Malus and Clawback may apply in the event of material misconduct and/or material misstatement or error of financial results. For full details see page 86.	In accordance with the rules of the LTTP the Committee has the discretion to grant an award up to 200% of base salary to each of the Executive Directors.	The Committee ensures that targets, whilst stretching, are realistic and attainable; for the long term benefit of the Group, and do not encourage inappropriate business risks. Any LTTP awards are normally subject to performance conditions, which may include TSR, absolute EPS and Underlying ROCE. Any performance conditions selected by the Committee will be on the basis that they reward achievement of stretching performance targets aligned with our strategy and the interests of shareholders. The Committee has the discretion to determine the weighting of each performance condition on the grant of an LTTP award. No more than 25% of an award will vest at threshold performance (0% will vest below the threshold level) increasing pro-rata to 100% vesting for maximum performance. Overall, the Committee must be satisfied that the underlying financial and non-financial performance of the Group over the performance period warrants the level of vesting as determined by applying the above targets. If the Committee is not of this view, then it is empowered to reduce the level of vesting potentially to nil.	– The Committee will have the discretion to vary performance conditions on the grant of any award depending on market conditions and the strategy of the Company at that time. – The Committee will take into account non-financial performance when determining the level of vesting and any adjustments to be made. – Introduction of the accrual of dividend equivalents between the grant and vesting of the awards.

1 The Committee reviews performance targets on an annual basis taking into account performance of the Group throughout the previous financial year, internal and external forecasts and consensus figures for the performance period. The performance targets are designed to be sufficiently stretching in order to ensure that maximum payout is only achieved for delivering exceptional performance.

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Element of pay	Purpose and link to Company's strategy	How operated in practice	Maximum opportunity	Description of performance metrics ¹	Changes to 2017/18 remuneration policy from the previous year ²
Savings Related Share Option Scheme ('Sharesave')	To promote long term share ownership amongst all employees of the Group in a tax-efficient way, linking employee benefits to the performance of the Group and to aid retention of staff.	Under the standard terms of the Sharesave, employees must have completed the requisite length of service as at the invitation date to be eligible to participate in the Sharesave. Employees can elect to save between a minimum of £5 and the maximum monthly savings limit as approved by the Committee and the Board within the limit's prescribed by legislation and HMRC, for a period of three or five years. At the end of the savings period the employee has six months in which to exercise their option.	Save up to the maximum monthly amount as specified by legislation or HMRC and as approved by the Committee and the Board. The maximum savings level is set by legislation or Government from time to time and the Committee reserves the right to amend contribution levels to reflect such approved changes.	Continued employment for the duration of the scheme and 'good' and 'bad' leaver provisions.	No change.
Non-Executive Directors' fees (including the Chairman)	To attract and retain high quality and experienced Non-Executive Directors (including the Chairman).	How operated in practice Normally the Board will decide whether or not an increase to the Chairman's and/or the Non-Executive Directors' fees is appropriate. The Chairman is not involved in any decisions relating to his own remuneration. The Chairman and the Non-Executive Directors' fees are reviewed annually and are normally set by reference to the level of fees paid to Chairmen and Non-Executive Directors serving on boards of similarly-sized, UK-listed companies, taking into account the size, responsibility and time commitment required of the role. The Chairman's and Non-Executive Directors' fees are paid in cash. Neither the Chairman nor the Non-Executive Directors participate in any performance related schemes (e.g. annual bonus or incentive schemes) nor do they receive any pension or private medical insurance or taxable benefits other than the potential to receive gifts at the end of a long-standing term of appointment. Expenses incurred by the Chairman and the Non-Executive Directors in the performance of their duties for the Company (including taxable travel and accommodation benefits in connection with travelling to a permanent workplace) may be reimbursed or paid for directly by the Company, as appropriate. No additional fees are payable for membership of Board Committees however, additional fees are paid to the Chairmen of the Audit, the Remuneration and the Safety, Health and Environmental Committees and the Senior Independent Director. Additional fees may be paid where, in exceptional circumstances, the normal time commitment is significantly exceeded.	Maximum opportunity Non-Executive Director fees must remain within the aggregate limit approved by shareholders from time to time. The current aggregate limit is £800,000.	Description of performance metrics¹ N/A	Changes to 2017/18 remuneration policy from the previous year² No change.

1. The Committee reviews performance targets on an annual basis taking into account performance of the Group throughout the previous financial year, internal and external forecasts and consensus figures for the performance period. The performance targets are designed to be sufficiently stretching in order to ensure that maximum payout is only achieved for delivering exceptional performance.

2. This column does not form part of the binding policy report but is intended to provide the reader with additional information to help them put the Policy into context.

Guidelines on Responsible Investment Disclosure

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

Remuneration Committee discretion

The areas of the New Policy over which the Committee has discretion are included in the Future policy table. However, we have summarised the key discretions below for clarification:

- amendment of salary or the award of higher increases in exceptional circumstances;
- vary benefits offered to secure new appointments;
- honour pension contributions for internal promotions;
- whether or not to make a bonus award and whether payment should be made to anyone who has handed in their notice to leave the business;
- what performance conditions should be attached to annual bonus and LTPP awards and the weighting to be attached to each;
- determining the timing of grants of awards and/or payment;
- determining the quantum of awards and/or payments (within the limits set out in the policy table above);
- determining the application of dividend equivalents, whether they be issued in shares or cash and retaining the ability to adjust the amount paid;
- determining the extent of vesting based on the assessment of performance;
- making the appropriate adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events, and special dividends); and
- determining 'good leaver' status for incentive plan purposes and applying the appropriate treatment.

If an event occurs which results in the Annual bonus plan or LTPP performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment) the Committee will have the ability, in limited circumstances, to adjust appropriately the measures and/or targets, to alter the weighting of the measures, and to reduce any annual bonus or LTPP awards (potentially to nil) in the event that the underlying financial and non-financial performance of the Group does not warrant the level of vesting.

Malus and Clawback

Both the annual bonus (including any deferred bonus) and the LTPP are subject to the malus and clawback (Malus and Clawback) provisions contained in the plan rules for a period of two years following vesting. Malus and Clawback is applicable in respect of any annual bonus paid or deferred and to any share awards granted under the LTPP, subject in the case of HMRC approved options, to such approval.

Clawback can be invoked if:

- (a) the Company has to restate its Financial Statements due to 'prior period errors' as defined by International Accounting Standard 8 and such errors resulted in that Award vesting to a greater degree than would have been the case had that error not occurred;
 - (b) the Committee forms the view that in assessing the extent to which any Performance Condition and/or any other condition imposed on the Award was satisfied such assessment was based on a material error and that such error resulted in that Award vesting to a materially greater degree than would have been the case had that error not been made; or
 - (c) the relevant individual ceases to be a director or employee of a member of the Group as a result of their summary dismissal because of their gross misconduct which has caused loss or damage to a member of the Group.
- In such circumstances, the Committee may determine that the bonus and/or share award will be retrospectively recalculated. If bonus monies have been paid, the participant will be required to reimburse the Company for an amount up to the total amount of the net bonus paid, less any bonus that the Committee determines would have been paid regardless of the event in question. If share awards have been granted, the number of awards or options granted will be reduced accordingly. If the award has vested and shares have been issued to the participant, the participant will be required to repay the value of the relevant number of shares based on the Company's closing share price as at the date the shares were issued.

Recruitment of Executive Directors

The Committee will determine the remuneration for any new Executive Directors in accordance with the Policy then in force and will take into consideration each of the following elements:

Salary and benefits – the Committee will take into account market data for the scope of the job, the remuneration for the relevant role, the salaries of and benefits provided to existing Executive Directors, the new Executive Director's experience, location and current base salary and benefits package. In the event an Executive Director is recruited at below market levels, their base salary may be re-aligned over a period of time (e.g. two to three years) subject to their performance in the role. The Committee may also agree to cover relocation costs if it deems it appropriate.

Executive Director	Service contract date	Date of appointment	Notice period
David Thomas	16 January 2013	21 July 2009	12 months
Seven Boyes	21 February 2013	1 July 2001	12 months
Jessica White	21 June 2017	22 June 2017	12 months

Pension – Executive Directors will be auto-enrolled from the date of recruitment unless they opt-out. If an Executive Director chooses to determine which is equivalent to the percentage to join the pension supplement in cash, The Committee Director, up to a maximum which is equivalent to the percentage to join the pension supplement in cash, the Executive Director may choose to join the pension supplement to the Executive Management. Alternatively, the Executive Director may provide some of their money purchase pension supplement to Senior Management. Alternatively, the Executive Director may provide some of their money purchase pension supplement to the option to receive contribution money purchase pension supplement.

[illegible]

Annual bonus and the new Executive bonus scheme made Title on pages B2 and B4. The bonus scheme made Title on pages B2 and B4. The bonus scheme made Title on pages B2 and B4.

[illegible]

Buyout of existing – an individual, partnership or company that acquires the ownership and control of an existing business, usually by purchasing all or a majority of the shares of the company. The buyout is often financed by the company's own cash resources, but may also be financed by a combination of bank loans and equity raised from investors. The buyout is often a strategic move to improve the company's performance and profitability, and to streamline its operations. The buyout may also be a defensive move to prevent a hostile takeover. The buyout may be a leveraged buyout (LBO), in which the company is financed primarily by debt, or a private equity buyout (PEBO), in which the company is financed primarily by equity. The buyout may also be a management buyout (MBO), in which the company is financed by the management team. The buyout may also be a leveraged buyout (LBO), in which the company is financed primarily by debt, or a private equity buyout (PEBO), in which the company is financed primarily by equity. The buyout may also be a management buyout (MBO), in which the company is financed by the management team.

validation of any performance achievement, possible) the Company will award where possible, however, the Company prior shareholder approval. In structuring any payouts, use of the flexibility (the shares) and the entitlement foregone. In structuring any payouts, use of the flexibility (the shares) and the entitlement foregone. In structuring any payouts, use of the flexibility (the shares) and the entitlement foregone.

where an individual is recruited into the Listing Rules or otherwise enters into service contracts are included in **Table 10** and their company's policy is for rolling 12 months.

[illegible]

All Executive Directors' appointments and subsequent re-appointments are subject to election and annual re-election by shareholders at the Company's AGM.

Jessica White
Director's service contracts are a...
...except for payment...
...of the...
...office

Executive Directors served during normal hours of office

[illegible]

The Committee also takes into account the provisions contained within the service contracts, where they are not limited to redundancy, namely, base salary, annual bonus (subject to the rules of the annual bonus and LTI arrangements) and the provisions relating to the annual bonus and LTI arrangements. The Committee also takes into account the provisions contained within the service contracts, where they are not limited to redundancy, namely, base salary, annual bonus (subject to the rules of the annual bonus and LTI arrangements) and the provisions relating to the annual bonus and LTI arrangements.

[illegible]

if the Executive Director is deemed to be a 'good leaver' (as defined above), then the relevant portion of the bonus will normally be paid entirely in cash. If the Executive Director is deemed to be a 'bad leaver', then the relevant portion of the bonus will normally be paid in cash, less any tax and national insurance which the Company is deemed to be liable to pay on behalf of the Executive Director. If the Executive Director is deemed to be a 'good leaver', then the relevant portion of the bonus will normally be paid in cash, less any tax and national insurance which the Company is deemed to be liable to pay on behalf of the Executive Director. If the Executive Director is deemed to be a 'bad leaver', then the relevant portion of the bonus will normally be paid in cash, less any tax and national insurance which the Company is deemed to be liable to pay on behalf of the Executive Director.

[illegible]

Remuneration report – Directors' Remuneration Policy *continued*

LTPP – under the rules of the LTPP, unless the Executive Director is deemed by the Committee to be a 'good leaver' (as defined above) any LTPP awards held by them will lapse on cessation of his or her employment. If he or she is a 'good leaver', the number of shares subject to the award will be pro-rated based on the number of weeks of the relevant performance period completed by them. Other than in the event of death, no shares will be released to the Executive Director, until the normal vesting date. During this time the shares will continue to be subject to the relevant performance conditions until the end of the performance period, at which point the Committee will test the performance conditions and determine how much, if any, of the remaining shares will vest. Following the vesting of each scheme, absent a life changing event such as retirement and the consent of the Committee, the Executive Directors must retain any shares vesting under the LTPP for a period of two-years commencing from the end of the relevant performance period.

Change of control – the rules of each share scheme operated by the Company contain provisions relating to a change of control. In the event that a change of control does occur any unvested options or awards will become vested on the date of the relevant event. However, the number of options or awards that vest will be pro-rated depending on the number of weeks completed within the relevant performance period and the level of performance conditions achieved during that period. Options or awards which have already vested as at the date of the relevant event may still be exercised within the prescribed timescales set out in the rules.

Differences between Executive Directors' and employees' remuneration

The following differences exist between the Company's policy for the remuneration of Executive Directors as set out in the Future policy table on pages 80 to 85 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 are required to defer any bonus earned in excess of 100% of base salary into shares for a period of three years;
- Executive Directors' may opt to receive a cash supplement in lieu of being auto-enrolled or contributing to the defined contribution section of the Barratt Group Pension and Life Assurance Scheme. The cash supplement or employer's contribution rate for existing Executives does not exceed 25% of base salary. For all other employees, the maximum rate of employer's contribution varies between 5%-25%. Any new Executive Directors will be at the same rate as Senior Management from time to time; and
- Executive Directors are able to participate in the LTPP. A number of select employees at Senior Management level may be invited to participate in the LTPP at the Committee's discretion.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the greater emphasis placed on performance-related pay for Executive Directors.

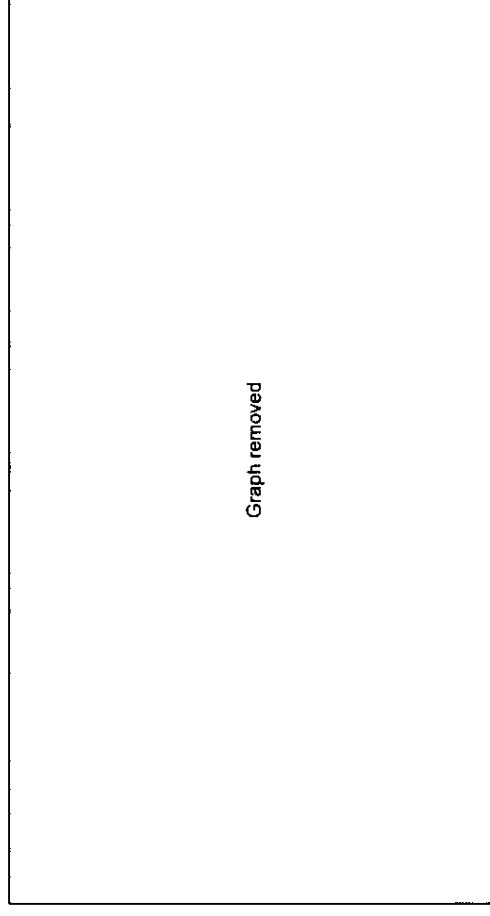
Executive Directors' shareholding requirements

To further align the interests of Executive Directors to those of shareholders, Executive Directors are required to build and retain a shareholding equivalent to 200% of base salary (FY16, 200% Chief Executive and 150% other Executive Directors) in the Company's shares within five years of the shareholding requirement coming into force or the Executive Director being appointed to the Board, whichever is the later. The share price used for the purposes of determining the value of the shares is that prevailing on 30 June of the given year. The Committee reserves the right to amend the percentage holding required by the Chief Executive and the other Executive Directors depending on market conditions and best practice guidance.

Details of the Executive Directors' shareholdings can be found in **Table 21** on page 99.

Performance scenario charts – fixed and variable pay

The Group's policy seeks to ensure that a substantial proportion of Executive Directors' remuneration is performance related and that enhanced rewards are only paid for exceptional performance. The chart below shows how the composition of each of the Executive Directors' remuneration packages varies at different levels of performance achievement for the 2017/18 financial year.



Assumptions

1. Benefits – the value not available in 2017/18 financial year is taken to be the value not available in the 2016/17 financial year as this is used in the sample figures of remuneration table on page 86.
2. Bonus – the on-target level of bonus is taken to be 50% of the maximum bonus opportunity. No share price appreciation or dividend accrual has been assumed for the deferred share amount payable at maximum bonus; and
3. LTPP Award – the on-target vesting level is taken to be 50% and the maximum value is taken to be 100% of the face value of the award at grant. No share price appreciation or dividend accrual has been assumed.

Non-Executive directorships

Subject to Board approval, Executive Directors are permitted to accept one Non-Executive directorship outside the Company and retain any fees received from such a position. Board approval will not be given for any Non-Executive position where such appointment would lead to a material conflict of interest or would have an effect on the Director's ability to perform their duties to the Company.

Chairman and Non-Executive Directors' letters of appointment

The Chairman and each of the Non-Executive Directors are appointed under terms set out in a letter of appointment. They do not have service contracts and their appointments can be terminated (by the Board) without compensation for loss of office and by giving the appropriate length of notice as prescribed in their respective letters of appointment.

The notice period applicable, from either party, for the Chairman is three months and for each of the other Non-Executive Directors is one month. Under governance policies approved by the Board, Non-Executive Directors are appointed for a three-year term and usually serve a second three-year term subject to performance review and re-election by shareholders. Beyond this a further term of up to three years may be served subject to rigorous review by the Chairman and the Nomination Committee and re-election by shareholders. Details of Non-Executive Directors' letters of appointment can be found in **Table 11**.

Table 11 – Non-Executive Directors' letters of appointment

Non-Executive Director	Date elected/ re-elected at AGM	Date first appointed to the Board	Date last re-appointed to the Board
John Allan	16 November 2016	1 August 2014	1 August 2017
Tessa Bamford	16 November 2016	1 July 2009	1 July 2015
Richard Akers	16 November 2016	2 April 2012	2 April 2015
Nina Bibby	16 November 2016	3 December 2012	3 December 2015
Jock Lennox	16 November 2016	1 July 2016	N/A

The letters of appointment for Non-Executive Directors are available for inspection by any person at the Company's registered office during normal office hours.

Gifts to Directors on leaving employment

The Committee reserves the discretion to approve gifts to long serving Directors who are retiring or who are 'good leavers' e.g. those leaving office for any reason other than dismissal or misconduct. The value of the gift for any one Director shall be limited to a maximum of £5,000 (excluding any tax or VAT liability). Where a tax or VAT liability is incurred on such a gift, the Committee has the discretion to approve the payment of such liability on behalf of the Director in addition to the maximum limit.

Legacy arrangements

For the avoidance of doubt, in approving the Policy, authority is given to the Company to honour any previously disclosed commitments entered into with current or former Directors including, but not limited to, payment of pensions or the vesting/exercise of past share awards.

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 the pay and employment conditions of Executive Directors, including increase in base salary, the Committee takes into consideration the pay and employment conditions of all employees across the Group. The Company does not directly consult with employees when setting Executive Directors' remuneration, however given that the Company operates the Sharesave in which all employees can participate and become shareholders in the Company, they can comment on the Group's Remuneration Policy in the same way as all of our other shareholders. In addition, the Company provides a number of forums through which employees can ask questions on such matters should they so wish.

Statement of consideration of shareholder views

Each year we normally update our major shareholders upon the Committee's application of the Policy and our performance, following the release of the July trading update and in advance of the publication of our Annual Report and Accounts. The Committee takes into account shareholder feedback received from this exercise and any additional feedback received during any meetings from time to time, as part of the Company's annual review of the Policy. In addition, the Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be proposed to the Policy. Details of the votes cast for and against the resolution to approve last year's remuneration report and any matters discussed with shareholders during the year are detailed throughout this Remuneration report.

Remuneration Committee

Membership and attendance at Committee meetings

Membership of the Committee and attendance at each of its scheduled meetings during the year is set out in **Table 12**.

Table 12 – Membership and attendance at Committee meetings

Member	Role	Number of meetings attended
Richard Akers	Chairman	5/5
John Allan	Member	5/5
Tessa Bamford	Member	5/5
Nina Bloby	Member	5/5
Jock Lennox	Member	5/5
Former members		
Mark Rolfe ¹	Member	2/2

¹ Jock Lennox joined the Board on 1 July 2016.

² Mark Rolfe stepped down from the Board on 16 November 2016.

Note

X/ Number of meetings attended whilst a Director.

/X Number of meetings whilst a Director.

The Company Secretary acts as Secretary to the Committee.

Advice/advisers

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. During the year, the Committee has taken advice from independent advisers, New Bridge Street ('NBS'), a part of Aon plc. NBS was initially appointed by the Committee as its remuneration consultant in 2008 and is a founder signatory to the Remuneration Consultants Group's Code of Conduct. In addition to advising the Committee, NBS also provided the Company with advice on implementing decisions made by the Committee and remuneration benchmarking. The Chairman of the Committee also seeks advice from NBS independent of management on any matters to be discussed at Committee meetings. NBS's fees for providing such advice amounted to £72,830 for the year ended 30 June 2017 (2016: £40,489). In line with best practice, the Committee assesses from time to time, whether the appointment remains appropriate or if it should be put out to tender as part of its effectiveness review. In addition, as part of this assessment, the Committee also considers the independence and objectivity of NBS. While the Committee did not feel there were any issues regarding independence and objectivity, given the length of tenure of NBS, the Committee concluded that it would be appropriate to put the position out to tender. The tender process will take place during the next financial year, with a view to appointing a remuneration consultant as soon as possible in calendar year 2018. Aon plc also provided broking services to the Company in respect of private medical insurance, death in service benefits and group income protection.

The Committee also receives input into its decision making from the Chief Executive (David Thomas), the Company Secretary (Tina Bains) and the Group Human Resources Director (Rob Tansey), none of whom were present at any time when their own remuneration was being considered.

Remuneration Committee activity FY17

Main activities undertaken during FY17

The Remuneration Committee's role is to determine and agree the Remuneration Policy for Executive Directors and Senior Management and to monitor and report on it. It follows an annual work programme which was fully completed during the year. The Remuneration Committee's responsibilities as delegated by the Board are formally set out in its written terms of reference which are available from www.barrattdvelopments.co.uk/investors/corporate-governance/governance-policies.

Executive Directors' and Senior Management remuneration

- Reviewed annual performance of the Executive Directors.
- Reviewed fixed and variable remuneration for Executive Directors and Senior Management.
- Considered and approved FY18 salary increases for Executive Directors and Senior Management (page 92).
- Considered and approved the remuneration package for the new Chief Financial Officer.

Committee effectiveness

- Reviewed and made progress against all matters arising from the FY16 annual evaluation.
- Undertook an internal evaluation of its own performance and devised an action plan to address the issues arising from it (page 56).
- Assessed the effectiveness of the Committee's remuneration consultants during FY17 (page 90).

Annual bonus

- Reviewed forecast bonus outcomes for FY17 (page 95).
- Reviewed and approved proposals to further simplify the annual bonus scheme.
- Considered and approved bonus targets for FY18 (page 92).

Governance

- Considered and approved the Remuneration report for FY16.
- Reviewed and approved the New Remuneration Policy for presentation to shareholders at the 2017 AGM.
- Considered remuneration disclosure requirements and disclosures for the Remuneration report for FY17.
- Reviewed and approved its annual agenda and terms of reference.

Long term incentives

- Received updates on the potential levels of vesting of outstanding LTTP awards.
- Considered and finalised performance metrics and targets, participants and level of awards for FY17 LTTP.
- Reviewed the potential structure including participants, level of award and targets of the FY18 LTTP.
- Discussed and agreed treatment of Neil Cooper's awards on him leaving the business.

Shareholder consultation

- Updated and consulted with shareholders on the revised remuneration policy, remuneration outcomes for FY16, indicative outcomes for FY17 and the proposed remuneration for FY18.
- Considered feedback received from the consultation process in finalising the policy and targets proposed for FY18.

Remuneration Report

Annual report on remuneration

In this section, we describe how the Policy will be applied in FY18 and how it has been implemented throughout FY17 together with the resulting payments to Directors. The Annual report on remuneration will be subject to an advisory vote at the 2017 AGM.

Statement of implementation of the Policy for FY18

Executive Directors' remuneration for FY18 will be based on the Group's Remuneration Policy as approved by shareholders in 2014 and set out in the 2014 Annual Report and Accounts until the New Policy is approved by shareholders. The New Policy, as shown on pages 80 to 89, will be presented for approval by shareholders at the 2017 AGM and will be effective immediately on approval.

Base salary

The Committee reviewed the salaries of the Executive Directors in April 2017 and the salary of the Chief Executive in June 2017. In reviewing these salaries the Committee had regard to: the performance of the Executive Directors during the year; the pay and employment conditions elsewhere in the business; the increase awarded to other members of staff; and the multiplier effect of an increase in base salary on the package as a whole. On this basis the Committee agreed to increase the salaries of David Thomas and Steven Boyes by 3%, in line with the average increase given to other employees across the organisation. Following her promotion on 22 June 2017, Jessica White's salary was increased to £400,000 per annum to more fully represent the additional responsibilities of the role. The salaries of the Executive Directors with effect from 1 July 2017 will therefore be:

Table 13 – Executive Directors' salary increases

Executive Director	Salary with effect from 1 July 2016 £000	Salary with effect from 1 July 2017 £000	Salary with effect from 1 July 2017 £000
David Thomas (3% increase)	696	717	717
Steven Boyes (3% increase)	551	568	568
Jessica White	N/A	400	400

1. Jessica White, previously Group Financial Controller, was promoted to the position of Chief Financial Officer on 22 June 2017.

Following these increases David Thomas' and Steven Boyes' salaries remain within the range for the housebuilding sector and the wider population of similar sized companies.

Pension

Each of the Executive Directors has opted to receive a cash salary supplement in lieu of a pension of up to 25% annual salary. These arrangements will continue for current Directors in FY18. The Remuneration Committee considered the current level of pension provision for Directors and has agreed that any new Executive Director would be given a pension equivalent to that of Managing Directors, currently 15% of salary. Jessica White will receive a cash salary supplement of 15% of her salary.

Annual bonus

Executive Directors and Senior Management will participate in the Group's annual bonus scheme in accordance with the Policy. The Company is of the view that the individual annual bonus performance targets are commercially sensitive in terms of the Group Strategy therefore these targets will not be disclosed in this report. We will as always disclose the annual bonus targets and performance against them in next year's Annual Report and Accounts. The performance measures, the reasons for selecting these measures and the maximum bonus payment against each of them expressed as a percentage of salary for FY18 will be:

Performance measure	Reason for selecting	Weighting (% of salary maximum)
Financial:		
Profit before tax	Rewards outperformance against stretching targets and is a key measure of our performance.	82.5
Non-financial:		
Quality and service with a health and safety underpin	Ensures a focus on quality and service to our customers without compromising the safety of our people.	22.5
Personal and strategic objectives ¹	Focus individuals on specific factors required to meet the long and short term strategy of the business whilst aligning their interests with those of shareholders.	45.0
Total bonus achievable as a % of salary		150.0

1. Executive Directors will have two personal objectives each as well as two strategic objectives which will be based on land and improving margin. 2. Any bonus earned in aggregate in excess of 100% will continue to be deferred into shares and held in the DBP. The Committee has agreed that no matching shares will be awarded against any deferred shares in respect of FY 8.

The Group's profitability remains a key measure, however, in order to drive sustainable value this must be achieved through an appropriate capital structure and in line with the risk profile of the business. In order to ensure that the annual bonus performance measures remain appropriate, they have been reviewed against last year's and the following changes have been made to simplify the scheme and align performance measures with the Group's strategy:

- to ensure that the bonus scheme is concentrated on key drivers and to further simplify the scheme, the number of performance measures has been reduced from five to three;
- profit before tax remains a key performance measure, the weighting has been increased to adjust for the removal of the other financial items which now form part of the strategic objectives;
- the weighting of the quality of service metric has also increased to reflect the importance of maintaining a high quality product and service for our customers; and
- the weighting of personal and strategic objectives has increased to cater for the inclusion of metrics that are relevant for the financial year. For the financial year ending 30 June 2018 the strategic objectives will focus on land and improving margin. The Committee has also agreed to retrospectively disclose the personal and strategic objectives of the Directors and the performance against them starting with those for the current year (see page 96).

The Committee will continue to have an overriding discretion in respect of any bonus payment in accordance with its Remuneration Policy. In addition, any bonus awarded for FY18 will be subject to Malus and Clawback.

LTPP

The level of the LTPP award to be granted to Executive Directors during FY18 will be in line with that set out in the Policy. The Committee is cognisant that such an award should be subject to performance targets, which are stretching and challenging whilst aligned with the short and long term performance of the Group and TSR. Accordingly, the Committee has agreed that the extent to which the LTPP award to be granted in the year ended 30 June 2018 (the '2017/18 LTPP') will vest, will be dependent on three independent performance conditions: TSR, EPS and Underlying ROCE, which will be measured as follows:

Performance condition	Reason selected	Weighting (of total award)	Below Threshold (10% vesting)	Threshold (25% vesting)	Maximum (100% vesting)
TSR against a 50-/50-comparator group.	To ensure that the comparator group remains current and relevant whilst factoring in the continued movement in the Company's market capitalisation.	20%	Below median	Median	Upper quartile
TSR against a housebuilder index ¹ .	To ensure rewards are linked to outperformance of our peers.	20%	Below index average of peer group	Index average of peer group	Index average +8% per annum
Absolute EPS for the financial year ending 30 June 2020.	To ensure efficient and effective management of our business and align interests with those of shareholders.	20%	below 66 pence	66 pence	74 pence
Underlying ROCE for the financial year ending 30 June 2020 ² .	To ensure efficient and effective management of our business and align interests with those of shareholders.	40%	below 19%	19%	22%

1 The housebuilder index will comprise: Bellway, Berkeley Homes, Bovis Homes Group, Countryside Properties, Crest Nicholson, Galliford Try, Persimmon, Redrow and Taylor Wimpey.

2 House-vehicle Glossary on page 172 for the definition of Underlying ROCE. This equates to a ROCE of 25% at threshold and 28% at maximum.

Vesting will be on a straight-line basis between threshold and maximum. In addition, all LTPP awards are subject to an overriding Committee discretion, whereby 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 above targets. If the Committee is not of this view, it has the authority to reduce (possibly to nil) the level of vesting as it deems appropriate.

The 2017/18 LTPP will also be subject to Clawback provisions and a two-year holding period will apply from the end of the performance period, on any shares vesting (net of shares sold to satisfy tax and national insurance liabilities).

Non-Executive Directors' fees

The Board reviewed the fees for the Non-Executive Directors (including the Chairman) and concluded that in order to ensure that the base fee level remains competitive in the market, they should be increased to £315,000 per annum for the Chairman and £60,000 per annum for each of the Non-Executive Directors with effect from 1 July 2017. The additional fees for the Chairmen of the Committees and the Senior Independent Director remain the same. Accordingly, the annual fees payable to the Non-Executive Chairman and Non-Executive Directors with effect from 1 July 2017 are as follows:

Table 14 – Non-Executive Directors' fees

Role	Fees at 1 July 2016 £000	Fees at 1 July 2017 £000
Chairman (3.3% increase)	305	315
Non-Executive Director base fee (3.4% increase)	58	60
Chairman of Audit Committee	10	10
Chairman of Remuneration Committee	10	10
Chairman of Safety, Health and Environmental Committee	5	5
Senior Independent Director	5	5

Directors' remuneration outcomes for the year ended 30 June 2017

Single figure of remuneration

The total remuneration for each of the Directors for the financial year ended 30 June 2017 is as set out in **Tables 15** and **16** below:

Table 15 – Executive Directors' single figure of remuneration (Audited)

	2016/17	2015/16	Salary £000	Benefits (taxable) £000	Annual Bonus ¹ £000	2016/17	2015/16	LTPP £000	Pension Benefits £000	Share Save Scheme £000	2016/17	2015/16	2017 Total £000	2016 Total £000
David Thomas	696	676		15	1,019	988	1,425	1,291	174	169	16	16	3,331	3,155
Steven Boyes	551	535		38	806	782	1,425	1,291	138	134	–	–	2,982	2,780
Jessica White ²	11	–	–	–	14	–	51	–	0	–	–	–	76	–
Former Directors														
Neil Cooper ³	251	275		9	–	387	–	213	63	66	–	–	326	950
Total⁴	1,509	1,486		62	1,839	2,157	2,901	2,795	375	369	16	16	6,715	6,885

¹ Benefits (taxable) include the provision of a company car or car allowance, private medical insurance, some telephone costs and contributions towards obtaining independent financial advice.

² Includes amounts deferred for David Thomas, Steven Boyes, Jessica White and Neil Cooper (see **Table 19** on page 94).

³ Performance conditions for the LTPP and the SMS were tested after 30 June 2017 and 100% of the award is due to vest in October 2017. The market price of the shares has been calculated based on an average market value over the three months to 30 June 2017 (£5.84 per share).

⁴ In accordance with regulatory requirements, the values in this column have been re-calculated using share price of £4.76 per share being the market value of the shares on the vesting date, 24 October 2016, as opposed to the market price of £5.37 per share calculated based on an average market value over the three months to 30 June 2016 as disclosed in last year's Remuneration report.

⁵ The Share Save Scheme, granted in March 2013, was subject to a continued employment condition and matured on 1 June 2016. The value is calculated using a share price of £5.74 per share being the mid-market close price of a share on the date of maturity.

⁶ Jessica White was appointed to the Board on 22 June 2017 and her salary, bonus and pension entitlement above reflects the time served on the Board. Jessica White's benefits (including car allowance) and pension supplement for the period 22 June 2017 to 30 June 2017 were £4.00 and £489 respectively. The Company also paid the legal fees of £2,806 (excluding VAT) for the advice Jessica White received in respect of her terms of appointment and service contract.

⁷ Neil Cooper was appointed to the Board on 23 November 2015 and resigned from the Board on 19 January 2017. His salary reflects the period served on the Board. Full details of his leaving arrangements can be found on pages 103 and 114.

⁸ The benefits (taxable) for Steven Boyes includes a cash payment of £30,406 (including tax and national insurance contributions) for reimbursement of the cost of a holiday which had to be cancelled to deal with urgent company business.

⁹ Comparative totals for 2015/16 reflect those members on the Board during 2015/16 excluding Mark Clare.

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

	2016/17	2015/16	Fees £000	2016/17	2015/16	Benefits (taxable) £000	2016/17	2015/16	2017 Total £000	2016 Total £000
John Allan	305	300		0	0	–	305	300		
Richard Akers	76	71		1	0	–	77	71		
Tessa Bamford	58	56		0	–	–	58	56		
Nina Bibby	58	56		–	–	–	58	56		
Jack Lennox	64	–		–	–	–	64	–		
Former Directors										
Mark Rolfe ¹	28	71		0	1	–	28	72		
Total	589	554		1	1		590	555		

¹ Jack Lennox joined the Board on 1 July 2016.

² Mark Rolfe stepped down from the Board on 16 November 2016.

³ Benefits (taxable) include expenses incurred in attending the Company's main corporate office and for 2016/17 are £742 for John Allan, £651 for Richard Akers, £98 for Tessa Bamford and £45 for Mark Rolfe.

⁴ Benefits (taxable) include expenses incurred in attending the Company's main corporate office and for 2015/16 are £348 for John Allan, £470 for Richard Akers and £1,325 for Mark Rolfe.

Annual bonus

For the year under review, Executive Directors had the potential to earn an annual bonus of up to 150% of base salary, 130% of which is based on the attainment of Group performance targets and 20% on personal objectives, both of which are linked directly to the Group's strategy. Any bonus earned in excess of 100% of base salary is deferred into shares for a period of three years. All targets, Group and personal, were agreed towards the beginning of the financial year and amended during the course of the year based on the circumstances prevailing at the time. The Group performance targets which applied to the bonus for FY17 and the level of bonus achieved were as follows:

Table 17 – Annual bonus (Audited)

Bonus target	Strategic objective	Targets	Potential bonus weighting		Actual performance	Bonus achieved % of salary
			% of salary			
Profit before tax	Support profitability	Threshold: £660.0m Target: £710.0m Maximum: £760.0m	13.0% 32.5% 65.0%		£765.1m	45.0%
Capital employed	Increase focus on the capital employed position	Threshold: £3,175.0m Target: £3,135.5m Maximum: £3,055.0m	4.5% 11.3% 77.5%		£2,797.0m	77.5%
Land bank owned and controlled	Drive the ownership of optimum amount of land to support business activities	4.3 – 4.6 years of which 3.3 to 3.6 owned and 1.0 conditional	22.5%		4.5 years	22.5%
Quality and Service ¹	To create a quality product that customers recommend in a safe way for our employees and stakeholders	Divisions to achieve SHE Audit of 94% and customer service recommend score of 90%. Target assessed by number of divisions meeting both targets.	20.0%		22/27 divisions	16.3%
Personal objectives ²	To focus individuals to achieving the Group's strategic objectives	Threshold: 4.0% Target: 10.0% Maximum: 20.0%	20.0%		See Table 18	See Table 18

¹ In the case of a material breach of SHE policy or procedures, the SHE Committee retains discretion to withhold all or part of the bonus depending on the nature of the breach.

² Quality and service metric is pro-rated based on the number of divisions achieving the required standard.

³ The Executive Directors' personal objectives are disclosed on page 96.

Remuneration report – Annual report on remuneration *continued***Executive Directors' personal objectives**

The FY17 personal objectives for Executive Directors¹ were set to increase focus on the achievement of the Group's strategic objective relating to improving margin whilst maintaining the Group's focus on maximising volume and retaining quality. The individual objectives and the performance against each is as follows:

Table 18 – Executive Directors' personal objectives

Executive Director	Personal objectives	Assessment	Maximum opportunity	Level achieved
David Thomas	Improving margin To ensure that: (i) efficiency benefits are clearly defined, measured and delivered; (ii) workstreams are established to help deliver efficiencies within a defined governance structure; and (iii) the wider workforce is fully engaged to ensure that all new working practices are adopted and embedded throughout the organisation.	- Workstreams established with clear cost/benefit timelines and cost tracking mechanisms; - IT strategy and plan developed to ensure adequate support for the delivery of the efficiencies; - policies, processes and procedures reviewed, updated and issued to the business as an enabling workstream; and - development of project and change management capability and expertise and recruitment of in-house team to support this.	10%	10%
	London region To manage the restructuring of the London region following our internal investigations and those undertaken by the Metropolitan Police into the London business.	- Took full responsibility for the restructuring of the London Region; - arranged for the recruitment of appropriate successors to the London Regional Managing Director and other key roles; and - ensured the London business continued uninterrupted during the transition.	10%	10%
Steven Boyes	Improving margin Same as above.	Same as above.	10%	10%
	New standard house types and product design (i) to manage the development and complete roll out of the new David Wilson Homes house types; (ii) to undertake an annual review of all house types and request feedback from divisions on possible improvements; and (iii) manage the completion of the design work on new low rise apartments and the production of a detailed brochure for divisions.	- New David Wilson Homes product range developed, retaining best selling house types and including new smaller house type ranges. More efficient product developed and cost savings achieved; - annual review of house types being undertaken as sufficient units are built to critique. Information will be collated and fully analysed and changes will be made where considered relevant; and - detailed brochure for new low rise apartments completed and issued to all divisions and being piloted on selected sites.	10%	10%

Jessica White's FY17 personal objectives relate to her previous role as Group Financial Controller and are therefore not disclosed.

Table 19 – Executive Directors' deferred bonus

	FY17 Deferred Bonus					FY16 Deferred Bonus	
	Annual bonus for 2016/17 £000	% of salary payable	% of salary in cash	% of salary deferred ²	Amount deferred £000	Number of shares ³	% of salary deferred
David Thomas	1,019	146.3	100	46.3	322	TBC ³	46.1
Steven Boyes	806	146.3	100	46.3	255	TBC ³	46.1
Jessica White	14	146.3	100	46.3	5	TBC ³	N/A
							N/A
							N/A

1. The Executive Directors earned a total bonus of 146.3% and 146.1% of base salary for FY17 and FY16 respectively. The bonus earned in excess of 100% of base salary will be deferred into shares.

2. Shares are held in the DBP for a period of three years commencing from the date of the award and subject to a continued employment condition.

3. The number of shares will be determined based on the share price calculated by averaging the closing middle-market quotations, as derived from the Daily Official List of the London Stock Exchange, for the first five dealing days following the date on which the Group announces its FY17 annual results. The actual number of shares awarded in respect of the FY17 Deferred Bonus was not therefore available as at the date of this report.

Long Term Performance Plans

Vesting of 2014/15 LTPP (included in 2016/17 single figure of remuneration) (Audited)

The 2014/15 LTPP award granted on 20 October 2014 was based on performance to the year ended 30 June 2017 and will vest on 20 October 2017. The performance conditions for this award and the resulting vesting level is as follows:

Metric	Performance condition	Threshold	Maximum	Actual	Portion of award vesting
EPS	Absolute EPS growth for the financial year ended 30 June 2017.	48p	58p	Basic EPS 61.3p ¹	1/3
ROCE	To increase Return on Capital Employed.	23%	27%	29.8%	1/3
TSR	TSR against the constituents of the FTSE 250 index (excluding investment trusts), 25% of this element vests for median performance and 100% of this element vests for upper quartile performance or above. TSR measured over three financial years with a three-month average at the start and end of the performance period.	Median ranking of 935 of 1,750 (TSR of 25.9% of 67.8%)	Upper quartile of 470 (TSR of 67.8%)	Rank of 331 (TSR of 81.3%)	1/3
Total level of award vesting					100%

¹ The actual EPS of 61.3 pence has been re-based using the corporation tax rate applicable at the date on which the 2014/15 LTPP targets were set, as the subsequent reduction to the rate of corporation tax was not performance related. The actual EPS has also been re-based using the same number of shares in issue as used in the 2014/15 LTPP targets. The re-based EPS used for the purpose of determining vesting, which is directly comparable to the 2014/15 LTPP targets, was 61.9 pence.

The Committee considered the underlying financial performance of the Group and was satisfied that given the continued improvement in the Group's financial results, the above level of vesting of the 2014/15 LTPP was justified. Accordingly, the gross number of shares to be released to each of the Executive Directors are as follows:

Executive Director	Number of shares at grant	Number of shares to vest ¹	Number of shares to lapse	Estimated value ² (£000)
David Thomas	244,086	244,086	–	244,086
Steven Boyes	244,086	244,086	–	244,086

¹ The relevant number of shares will be released to each participant as soon as is practicable in October 2017, following the vesting date.

² The estimated value of the vested shares is based on the average share price during the three months to 30 June 2017 (£5.84 per share).

Vesting of 2014/15 Barratt Developments Senior Managers' Incentive Scheme (included in 2016/17 single figure of remuneration) (Audited)

On 20 October 2014 Jessica White was awarded an incentive award under the Barratt Developments Senior Managers Incentive Scheme ('SMIS') alongside other participants below Board and Executive Committee level. The 2014/15 SMIS was based on performance to the year ended 30 June 2017 and will vest on 20 October 2017. The SMIS is not subject to any holding period. The performance conditions for this award and the resulting vesting level is as follows:

Metric	Performance condition	Threshold	Maximum	Actual	% of award vesting
EPS	Absolute EPS growth for the financial year ended 30 June 2017.	48p	58p	Basic EPS 61.3p ¹	50
ROCE	To increase Return on Capital Employed.	23%	27%	29.8%	50
Total level of award vesting					100

¹ The actual EPS of 61.3 pence has been re-based using the corporation tax rate applicable at the date on which the 2014/15 SMIS target were set, as the subsequent reduction to the rate of corporation tax was not performance related. The actual EPS has also been re-based using the same number of shares in issue as used in the 2014/15 SMIS targets. The re-based EPS used for the purpose of determining vesting, which is directly comparable to the 2014/15 SMIS targets, was 61.9 pence.

In accordance with the rules of the SMIS, the Committee considered the underlying financial performance of the Group and was satisfied that given the continued improvement in the Group's financial results, the above level of vesting of the 2014/15 SMIS was justified. Accordingly, the gross number of shares to be released to Jessica White is as follows:

Executive Director	Number of shares at grant	Number of shares to vest ¹	Number of shares to lapse	Estimated value ² (£000)
Jessica White	8,726	8,726	–	8,726

¹ The relevant number of shares will be released as soon as is practicable in October 2017, following the vesting date.

² The estimated value of the vested shares is based on the average share price during the three months to 30 June 2017 (£5.84 per share).

LTPP granted during the year (the '2016/17 LTPP') (Audited)

On 14 December 2016, the following 2016/17 LTPP awards were granted to Executive Directors:

Executive Director	Type of award	Basis of award granted	Share price at date of grant (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 £696,280	454.5	292,370	1,329	25	Three financial years to 30 June 2019
Steven Boyes	Conditional award	200% of salary £551,050	454.5	231,387	1,052	25	
Jessica White	Conditional award	50% of salary £158,100	454.5	16,596	75	25	
Former Directors							
Neil Cooper	Conditional award	200% of salary £456,000	454.5	190,636	866	25	

¹ Neil Cooper left the business on 19 January 2017 at which point this award lapsed in its entirety.

The 2016/17 LTPP for Executive Directors is subject to three performance conditions, one-third TSR, one-third EPS and one-third ROCE. The levels of vesting against TSR are measured over a three-year period commencing 1 July 2016, and against EPS and ROCE for the financial year ending 30 June 2019. On completion of the performance period, assuming that shares vest, they will be subject to a further two-year holding period.

As the award granted to Jessica White was made prior to her becoming an Executive Director, the award is subject to two performance measures, EPS (50%) and ROCE (50%), in line with other participants below Board and Executive Committee level. These performance measures will be measured against the same targets set for the Executive Directors' LTPP awards. In addition, Jessica White's award is not subject to a holding period.

Performance against the targets for each of the outstanding awards are as follows:

Table 20 – Performance of current LTPP plans against targets

The following tables show the targets set on grant of the respective LTPP award together with performance to date.

2015/16 Award

The table below shows the potential level of vesting if performance was measured over a two-year period to the 30 June 2017:

Performance target	Below Threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)	Performance as at 30 June 2017	Level of vesting had the award vested as at 30 June 2017
TSR ¹	Below median	Median	Upper quartile	44.8%	15.6%
EPS	<58 pence	58 pence	66 pence	61.3 pence	20.6%
ROCE	<25%	25%	28%	29.8%	33.3%
Total					69.5%

¹ The comparator group for TSR is each of the members ranking 50 above and 40 below the Company in the FTSE 250.

2016/17 Award

Outlined below is the potential level of vesting for the 2016/17 LTPP, had the performance period been for one year to 30 June 2017:

Performance target	Below Threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)	Performance as at 30 June 2017	Level of vesting had the award vested as at 30 June 2017
TSR ¹	Below median	Median	Upper quartile	26.7%	8.9%
EPS	<58 pence	58 pence	70 pence	61.3 pence	14.3%
ROCE	<25%	25%	28%	29.8%	33.3%
Total					56.5%

¹ The comparator group for TSR is each of the members ranking 50 above and 50 below the Company in the FTSE Index.

Statement of Directors' shareholding and share interests (Audited)

For the financial year ended 30 June 2017 Executive Directors were required to hold shares in the Company equivalent in value to 200% of salary (2016: 200% for the Chief Executive and 150% of salary for the other Directors). The Chief Executive must hold a minimum of 67% (50% for other Executive Directors) as an Owned Shareholding. The Chief Executive and other 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. Participants who have not built up the required level of shareholding by the end of the defined period, will not be eligible for inclusion in future share-based incentive schemes, likewise, 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 individual's control.

At 30 June 2017, both David Thomas and Steven Boyes have met the shareholding requirement. Jessica White has until 21 June 2022 to meet the shareholding requirement.

The interests of the Directors serving during the financial year and their connected persons in the ordinary share capital of the Company at the beginning and end of the year are shown in **Table 21**. On 24 July 2017 the Company was notified that Steven Boyes and Jessica White exercised their respective options over 2,578 shares each under the SAYE scheme. No other notification has been received of any change in the interests shown during the period 30 June 2017 to 5 September 2017 inclusive, with the exception of the shares to be deferred in respect of the bonus earned in excess of 100% of base salary by Executive Directors for the financial year ended 30 June 2017 the details of which can be found on page 96.

To be classified as a 'good leaver' from the Company, the Executive Directors, will be required to commit to retaining a total shareholding of 100% and 75% respectively of the value of their final salary in the Company's shares for two years following their leaving date.

Table 21 – Directors' interests in shares (Audited)

	Beneficially owned as at 30 June 2016	Beneficially owned as at 30 June 2017	Outstanding share awards under all employee share plans as at 30 June 2017 ¹	Owned Shareholding as a % of salary as at 30 June 2017 ²	Owned Shareholding as a % of salary as at 30 June 2017 ³	Total Shareholding as a % of salary as at 30 June 2017 ⁴	Total Shareholding requirement met (Y/N) ⁵
David Thomas	1,280,726	1,459,096	1,121,319	1,147%	Y	1,287%	Y
Steven Boyes	827,498	1,005,868	785,394	998%	Y	1,069%	Y
Jessica White ⁶	35,408	35,408	46,531	50%	N	50%	N
John Allan	3,102	34,205	–	N/A	N/A	N/A	N/A
Richard Akers	40,000	50,000	–	N/A	N/A	N/A	N/A
Tessa Bamford	34,010	36,121	–	N/A	N/A	N/A	N/A
Nina Bibby	8,500	8,500	–	N/A	N/A	N/A	N/A
Jack Lennox ⁶	–	10,000	–	N/A	N/A	N/A	N/A
Former Directors							
Neil Cooper ¹	–	23,665	–	N/A	N/A	N/A	N/A
Mark Rolfe ⁶	75,062	75,062	–	N/A	N/A	N/A	N/A

1. Details of the interests held in share incentive share plans can be found in the tables on page 100 to 112.

2. Calculated in accordance with the Group's Remuneration Policy.

3. Jessica White was appointed to the Board on 22 June 2017 and her shareholding is shown at her date of appointment. She has five years from this date to meet the shareholding requirement of 200% of base salary.

4. Jack Lennox joined the Board on 1 July 2016.

5. Neil Cooper left the Board on 19 January 2017. The shares shown in the table above are as at his date of leaving.

6. Mark Rolfe stepped down from his position on 16 November 2016. The shares shown in the table above are as at his date of leaving.

Remuneration report – Annual report on remuneration continued

Table 22 – Executive Directors' conditional awards and share options (Audited)

Details of the conditional awards and share options over shares held by the Executive Directors who served during the year are as follows:

	Date of grant	Unvested shares at 1 July 2016 (number)	Vested shares at 1 July 2016 (number)	Granted (number)	Exercised (number)	Lapsed (number)	Outstanding shares as at 30 June 2017 (number)	Market price on award (pence)	Exercise price (pence)	Market price at exercise/ vesting (pence)	Gain receivable (£000)	Date from which exercisable/ capable of vesting ¹	Expiry date
David Thomas													
Conditional share options													
FSOS ²	10.12.2009	-	8,350	-	-	-	8,350	-	117.84	-	-	10.12.2012	09.12.2019
LSOS ²	10.12.2009	-	208,056	-	-	-	208,056	-	121.39	-	-	10.12.2012	09.12.2019
Sharesave [5 year] ¹	30.04.2014	4,297	-	-	-	-	4,297	-	349.00	-	-	01.07.2019	31.12.2019
Sharesave [5 year] ¹	27.04.2016	3,112	-	-	-	-	3,112	-	482.00	-	-	01.07.2021	31.12.2021
Conditional awards													
DBP ²	02.10.2013	65,769	-	-	[65,769]	-	-	326.90	-	471.21	310	02.10.2016	-
LTPP ¹	23.10.2013	271,230	-	-	[271,230]	-	-	325.00	-	471.21	1,278	23.10.2016	-
DBP	09.10.2014	57,091	-	-	-	-	57,091	386.00	-	-	-	09.10.2017	-
LTPP ¹	20.10.2014	244,086	-	-	-	-	244,086	372.00	-	-	-	20.10.2017	-
DBP	19.10.2015	27,531	-	-	-	-	27,531	656.00	-	-	-	19.10.2018	-
LTPP ¹	19.10.2015	212,244	-	-	-	-	212,244	637.00	-	-	-	19.10.2018	-
DBP	17.10.2016	-	-	64,182	-	-	64,182	485.66	-	-	-	17.10.2019	-
LTPP ¹	14.12.2016	-	-	292,370	-	-	292,370	476.30	-	-	-	14.12.2019	-
Total		885,340	216,406	356,552	[336,999]	-	1,121,319	-	-	-	1,588	-	-

	Date of grant	Unvested shares at 1 July 2016 (number)	Vested shares at 1 July 2016 (number)	Granted (number)	Exercised (number)	Lapsed (number)	Outstanding shares as at 30 June 2017 (number)	Market price on award (pence)	Exercise price (pence)	Market price at exercise/ vesting (pence)	Gain receivable (£000)	Date from which exercisable/ capable of vesting ¹	Expiry date
Steven Boyes													
Conditional share options													
Sharesave (3 year)	30.04.2014	2,578	-	-	-	-	2,578	-	349.00	-	-	01.07.2017	31.12.2017
Sharesave (3 year)	29.04.2015	2,013	-	-	-	-	2,013	-	447.00	-	-	01.07.2018	31.12.2018
Sharesave (3 year)	27.04.2017	-	-	1,939	-	-	1,939	-	464.00	-	-	01.07.2020	31.12.2020
Conditional awards													
DBP ¹	02.10.2013	65,769	-	-	(65,769)	-	-	326.90	-	471.21	310	02.10.2016	-
LTPP ¹	23.10.2013	271,230	-	-	(271,230)	-	-	325.00	-	471.21	1,278	23.10.2016	-
DBP	09.10.2014	57,091	-	-	-	-	57,091	386.00	-	-	-	09.10.2017	-
LTPP ²	20.10.2014	244,086	-	-	-	-	244,086	372.00	-	-	-	20.10.2017	-
DBP	19.10.2015	27,531	-	-	-	-	27,531	656.00	-	-	-	19.10.2018	-
LTPP ³	19.10.2015	167,974	-	-	-	-	167,974	637.00	-	-	-	19.10.2018	-
DBP	17.10.2016	-	-	50,795	-	-	50,795	485.66	-	-	-	17.10.2019	-
LTPP ⁴	14.12.2016	-	-	231,387	-	-	231,387	476.30	-	-	-	14.12.2019	-
Total		838,272	-	284,121	(334,999)	-	785,394	-	-	-	1,588	-	-

	Date of grant	Unvested shares at 1 July 2016 (number)	Vested shares at 1 July 2016 (number)	Granted (number)	Exercised (number)	Lapsed (number)	Outstanding shares as at 30 June 2017 (number)	Market price on award (pence)	Exercise price (pence)	Market price at exercise/ vesting (pence)	Gain receivable (£000)	Date from which exercisable/ capable of vesting ¹	Expiry date
Jessica White¹													
Conditional share options													
Sharesave (3 year)	30.04.2014	2,578	-	-	-	-	2,578	-	349.00	-	-	01.07.2017	31.12.2017
Sharesave (5 year)	27.04.2017	-	-	6,465	-	-	6,465	-	464.00	-	-	01.07.2022	31.12.2022
Conditional awards													
SMIS	20.10.2014	8,726	-	-	-	-	8,726	372.00	-	-	-	20.10.2017	-
LTPP ¹	19.10.2015	12,166	-	-	-	-	12,166	637.00	-	-	-	19.10.2018	-
LTPP ²	14.12.2016	-	-	16,596	-	-	16,596	476.30	-	-	-	14.12.2019	-
Total		23,470	-	23,061	-	-	44,531	-	-	-	-	-	-

Remuneration report – Annual report on remuneration continued

Former Directors

	Date of grant	Unvested shares at 1 July 2016 (number)	Vested shares at 1 July 2016 (number)	Granted (number)	Exercised (number)	Lapsed (number)	Outstanding shares at 30 June 17 (number)	Market price on award (pence)	Exercise price (pence)	Market price at exercise/ vesting (pence)	Gain receivable (£000)	Date from which exercisable/ capable of vesting ¹	Expiry Date
Neil Cooper¹⁰													
Conditional share options													
CFO Scheme ²	21.12.2015	45,705	-	-	(45,705)	-	-	-	10.00	471.21	211	23.10.2016	06.11.2016
CFO Scheme	21.12.2015	76,175	-	-	-	(76,175)	-	-	10.00	-	-	20.10.2017	03.11.2017
Sharesave (3 year)	27.04.2016	3,734	-	-	-	(3,734)	-	-	482.00	-	-	01.07.2019	31.12.2019
Conditional Awards													
LTPP ³	21.12.2015	122,440	-	-	-	(122,440)	-	637.00	-	-	-	19.10.2018	-
DBP ⁴	17.10.2016	-	-	25,144	(25,144)	-	-	485.66	-	-	-	17.10.2019	-
LTPP ⁵	14.12.2016	-	-	190,636	-	(190,636)	-	476.30	-	-	-	14.12.2019	-
Total		248,054	-	215,780	(70,849)	(392,985)	-	-	-	-	211	-	-

¹ The earliest date on which an award may vest, in normal circumstances, having fulfilled all qualifying conditions, after which ordinary shares under conditional awards are attributable to the participant as soon as possible and share options can be exercised.

² The ESOS is divided into two sub-schemes, one of which is approved under the Income Tax (Earnings and Pensions) Act 2003 and the other of which is not. The exercise price is calculated differently for each sub-scheme in accordance with the rules of the ESOS. Executive Directors have until 9 December 2019 to exercise their options under the ESOS.

³ 100% of this award vested on 24 October 2016. The relevant number of shares were released to each participant thereafter following the settlement of any tax and national insurance liabilities due on the shares.

⁴ This award was tested after 30 June 2017 and 100% of the award will vest in October 2017 (see page 97 for further details). These awards will be released to the participant's as soon as possible following the vesting date. The awards for David Thomas and Steven Boyes are subject to a two-year holding period commencing 1 July 2017.

⁵ Award based on final total ordinary shares equivalent value up to a maximum of 200% of base salary. One-third of the award is subject to a three-year TSR performance condition, one-third is based on the achievement of an EPS target for the financial year ending 30 June 2018 and the remaining third is based on the achievement of a ROCE target for the financial year ending 30 June 2018. There is no re-testing of performance conditions. The awards for David Thomas and Steven Boyes are subject to a two-year holding period commencing 1 July 2018. See page 98 for an update on performance to date against the targets.

⁶ See page 98 for details.

⁷ Award based on final total ordinary shares equivalent value up to 50% of base salary. 50% of the award is subject to the achievement of an EPS target for the financial year ending 30 June 2018 and the other 50% is based on the achievement of a ROCE target for the financial year ending 30 June 2018. There is no re-testing of performance conditions.

⁸ Jessica White joined the Board on 22 June 2017. The awards shown are those granted to her prior to being appointed as Chief Financial Officer.

⁹ This award was subject to two performance conditions EPS (50%) and ROCE (50%) for the financial year ended 30 June 2017. The performance conditions were released after 30 June 2017 and 100% of the award will vest in October 2017. These awards will be released to the participants as soon as possible following the vesting date.

¹⁰ Neil Cooper left the Board on 19 January 2017 at which time his options and awards lapsed. Neil Cooper was treated as a 'good leaver' in respect of the DBP award granted on 17.10.2016 with awards vesting following the announcement of the half-year results on 23 February 2017.

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 as it deems appropriate.

Dilution

On maturity or vesting of any of its share incentive schemes the Company satisfies the awards through: a new issue of shares; market purchases; or the EBT. During the financial year ended 30 June 2017, the Company continued to satisfy all outstanding Executive options and awards under the LTPP, 2009/10 ESOS, the DBP and the Sharesave through a new issue of shares, subject to the dilution limits described below. Awards made to individuals below Senior Management level continued to be satisfied through shares currently held, or to be purchased in the market, by the EBT.

The Company regularly monitors the number of shares issued under its schemes and the impact on dilution limits. The Company is satisfied that as at 30 June 2017 its usage of shares is compliant with the relevant dilution limits set by the Investment Association in respect of all share plans (10% of the Company's issued share capital in any rolling ten-year period) and discretionary share plans (5% of the Company's issued share capital in any rolling ten-year period). In the event that the outstanding options under each of the schemes to be satisfied through a new issue of shares were to vest and had been exercised on 30 June 2017, the resulting issue of new shares would represent 1.6% of the Company's issued share capital as at that date.

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. Upon 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 of the Executive Directors have opted to receive a cash supplement in lieu of pension. For FY17, David Thomas and Steven Boyes received an amount equal to 25% of base salary in line with market practice. Jessica White, with effect from 22 June 2017, received an amount equal to 15% base salary in line with the Remuneration Committee's decision for new Executive Directors to receive a pension contribution equivalent to other Senior Managers, currently 15% base salary. Only the base salary element of a Director's remuneration is pensionable.

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 2017.

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. This entitlement was based on a 1/60 accrual rate and a normal retirement age of 65. Since 1 July 2009, Steven Boyes has been entitled to receive a cash supplement which is currently equal to 25% of his base salary per annum.

The previous full actuarial valuation of the Scheme as at 30 November 2013 showed a deficit of £34.8m calculated on the basis of the Scheme's technical provisions. The Company and the Trustees of the Scheme agreed a plan to address the shortfall which required the Company to make deficit reduction payments of £13.3m per annum until 30 November 2015, followed by payments of £9.5m per annum from 1 December 2015 until 31 December 2016. Since 1 January 2017, the Company has continued to make deficit reduction payments of £9.5m per annum and it was intended that these would continue until 28 February 2018 (or until the Scheme reaches full funding on its long term funding basis, if earlier). In March 2017, the Board were advised that the triennial valuation undertaken in November 2016 had indicated a £69.2m deficit. In order to address the deficit, the Board has agreed to increase its annual contribution from £9.5m to £14.5m for a period of three years from 1 April 2017. Thereafter contributions of £10.0m per annum will be made until the Scheme is fully funded. The valuation for the Financial Statements was updated to 30 June 2017 by a qualified independent actuary and a surplus of £13.6m (2016: surplus of £8.1m) is included in the Group Balance Sheet as shown in note 6.2.2 of the Financial Statements.

Members of the Scheme are also eligible for an insured lump sum of up to five times pensionable salary on death in service. 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 and those leaving the Group (Audited)

Neil Cooper

Neil Cooper stepped down from the Board on 19 January 2017. Under the termination arrangements agreed with the Company he will continue to receive a monthly sum in respect of salary of £37,833, plus a cash supplement in lieu of pension of £9,458 per month and a car allowance of £1,250 per month (all less withholding for income tax and national insurance contributions). He would also continue to be provided with private health insurance (valued at £1,199 per annum) for a period of 12 months or, if earlier, up until the date on which alternative employment is obtained. In addition he has been paid £6,985 in lieu of holidays accrued but not taken during his period of employment and a contribution of up to £9,500 (excluding VAT) for legal fees in connection with his loss of office based on fees actually incurred. With effect from 5 June 2017, Neil Cooper secured alternative employment. In accordance with the termination arrangements agreed, the monthly sum in respect of salary was adjusted to £12,833 (less withholding for tax and national insurance contributions). The payments in lieu of pension and the car allowance remain unchanged.

Neil Cooper's Option under the CFO Scheme (76,175 ordinary shares with an option price of 10 pence per share) and award under the LTPP (122,440 ordinary shares), both granted on 21 December 2015 lapsed immediately on leaving the business. The option over 3,734 ordinary shares granted under the Company's Sharesave also lapsed upon Neil leaving the business. In accordance with the rules of the DBP the Remuneration Committee determined that he should be treated as a good leaver in respect of the 25,144 ordinary shares awarded in respect of performance in the year to 30 June 2016 and these subsequently vested on 23 February 2017 following the release of the half year results. All other awards granted to Neil Cooper lapsed on cessation of his employment.

No further payments were made to any former Directors during the year ended 30 June 2017 (30 June 2016: £nil) except otherwise disclosed in this Remuneration report.

No payments were made in respect of loss of office during the year ended 30 June 2017 (30 June 2016: £nil) except as otherwise disclosed in this Remuneration report.

Chief Executive's relative pay

Table 23 sets out: (i) the total pay, calculated in line with the single figure methodology; (ii) the annual bonus pay out as a percentage of maximum; and (iii) the long term incentive (LTI) vesting level for the Chief Executive over an eight-year period (David Thomas for FY16 & FY17 and Mark Clare for FY10 to FY15):

Table 23 – Chief Executive's pay (Audited)

	Eight years to 30 June 2017							
	2010	2011	2012	2013	2014	2015	2016	2017
Chief Executive's total pay (£000)	1,417	1,220	2,099	4,310	6,430	7,363	3,155	3,331
Bonus outturn (as percentage of maximum opportunity)	90.2	36.6	99.2	100.0	100.0	93.2	97.4	97.5
LTI vesting (as a percentage of maximum award)	0.0	0.0	32.8	73.9	95.8	100.0	100.0	100.0

Total Shareholder Return performance graph

Chart 2, prepared in accordance with the regulations, shows the TSR performance over the last eight years against the FTSE 350 (excluding investment trusts) 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.

Graph removed

Other statutory disclosures

Directors' Report

The Directors' Report for the financial year ended 30 June 2017 comprises pages 45 to 112 inclusive, together with the sections incorporated by reference. Any matters on which the Directors are required to report on annually, but which do not appear in any other section of this report are detailed below.

Activities of the Group

The Company is the holding company of the Group. The Group's principal activities comprise acquiring and developing land, planning, designing and constructing residential property developments and selling the homes it builds throughout Britain. These core activities are supported by the Group's commercial development, urban regeneration, procurement, design and strategic land capabilities.

Results and dividends

The profit from continuing activities for the year ended 30 June 2017 was £616.0m (2016: £550.3m).

An interim dividend of 7.3 pence per share was paid on 19 May 2017 to those shareholders on the register as at close of business on 21 April 2017 (2016: 6.0 pence per share). The Directors recommend the payment of a final dividend of 17.1 pence per share (2016: 12.3 pence per share) in respect of the financial year ended 30 June 2017.

The Directors also recommend the payment of a special dividend of 17.3 pence per share under the Company's Special Cash Payment Programme (see page 15 for further details).

Both the final dividend and the special dividend will, subject to shareholder approval at the 2017 AGM, be paid on 20 November 2017 to those shareholders on the register at the close of business on 27 October 2017. If approved, the total dividend (including the special dividend) for FY17 is 41.7 pence per share (2016: 30.7 pence per share).

Strategic Report

The Group's Strategic Report is set out on pages 1 to 44 of this Annual Report and Accounts and contains certain disclosures required to be contained in the Directors' Report as follows: details of the Group's greenhouse gas emissions (page 37); our approach to diversity and details of diversity within the Group (page 33); our employee engagement (page 31); an indication of likely future developments in the Group including in the field of research and development (page 28) and the Group's principal risks (pages 42 and 43).

The Company also published its first statement in line with the UK Modern Slavery Act 2015, detailing the steps the Group is taking to mitigate the risk of modern slavery occurring in its supply chain and business operations. Bespoke training was delivered to key teams and supply chain partners in order to build awareness and strengthen due diligence processes. This statement can be found at www.barrattdevelopments.co.uk/sustainability/our-policies.

In addition, details of the Company's approach to dealing with environmental issues in its operations and the impact of and management of risks associated with environmental, social and governance matters are contained in the Strategic Report on pages 40 to 44 and in the Sustainability Report available from the Company's website at www.barrattdevelopments.co.uk. They can also be found in the sustainability section of the Company's website.

The Group's financial assets, financial liabilities and derivative financial instruments are detailed in sections 3 and 5 within the notes to the Financial Statements. Details of the Group's liquidity, market price, credit and cash flow risks are set out in note 5.5 to the Financial Statements.

Post Balance Sheet events

On 22 August 2017 the Company issued a Sterling US Private Placement (USPP) of £200.0m. This issuance has a ten year maturity with a fixed coupon of 2.77%.

In addition, on 22 August 2017 the Company, utilising the break clause, cancelled the £25.0m 2022 interest rate swap at fair value.

On 23 August 2017 the Group repaid its US\$80.0m USPP which had a fixed rate of 8.14%.

Annual General Meeting

The 2017 AGM will be held at The Royal College of Physicians, 11 St Andrews Place, Regent's Park, London NW1 4LE on Wednesday, 15 November 2017 at 2.30 p.m. The notice convening the 2017 AGM is set out in a separate letter to shareholders.

Directors and their interests

Details of the Directors who held office during the financial year ending 30 June 2017 and as at the date of this report can be found on pages 46 and 47.

The beneficial interests of the Directors and connected persons in the ordinary share capital of the Company, together with the interests of the Executive Directors in share options and awards of shares as at 30 June 2017, and as at the date of this report are disclosed in the Remuneration report on pages 99 to 102.

At no time during or at the end of the year did any Director have a material interest in a contract of significance in relation to the business of the Group.

Appointment and removal of Directors

In accordance with the Articles there shall be no less than two and no more than 15 Directors appointed to the Board at any one time. Directors may be appointed by the Company by ordinary resolution or by the Board. The Board may from time to time appoint one or more Directors to hold employment or executive office for such period subject to the Companies Act 2006 (the 'Act') and on such terms as they may determine and may revoke or terminate any such appointment. Directors are not subject to a maximum age limit.

In addition to the power under the Act for shareholders to remove any Director by ordinary resolution upon the giving of special notice, under the Articles the Company may, by special resolution, remove any Director before the expiration of their term of office. The office of Director shall be vacated if: (i) they resign or offer to resign and the Board resolves to accept such offer; (ii) their resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; (iii) they are or have been suffering from mental or physical ill health; (iv) they are absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that their office is vacated; (v) they become bankrupt or compound with their creditors generally; (vi) they are prohibited by law from being a Director; (vii) they cease to be a Director by virtue of the Act; or (viii) they are removed from office pursuant to the Articles.

Details relating to the retirement, election and re-election of Directors at each AGM can be found in the Nomination Committee report on pages 62 and 63.

Powers of the Directors

Subject to the Articles, the Act and any directions given by special resolution, the business of the Company is ultimately managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or otherwise. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertakings, property, assets and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company to any third party.

Qualifying third party indemnity provisions

At the date of this Annual Report and Accounts, there are qualifying third party indemnity provisions governed by the Act in place under which the Company has agreed to indemnify the Directors, former Directors and the Company Secretary, together with those who have held or hold these positions as officers of other Group companies or of associate or affiliated companies and members of the Executive Committee, to the extent permitted by law and the Articles, against all liability arising in respect of any act or omission in the course of performing their duties. In addition, the Company maintains directors' and officers' liability insurance for each Director of the Group and its associated companies.

No Director of the Company or of any associated company shall be accountable to the Company or the members for any benefit provided pursuant to the Articles and receipt of any such benefit shall not disqualify any person from being or becoming a Director of the Company.

Related party transactions

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

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

David Thomas

As outlined in the 2016 Annual Report and Accounts, in June 2016 David Thomas notified the Board that he and one of his connected persons intended to buy one property each at the BDW Trading Limited site at Cane Hill Park, Coulsdon, Surrey (the 'Transactions').

Property 1

David Thomas (Chief Executive) reserved a property from BDW Trading Limited, at a purchase price of £579,995 (which includes an upgraded kitchen, flooring, lighting, built-in wardrobe and soft furnishings). The property was purchased on a sale and licence back basis for a period of two years with an annual rental of 6%. A 10% deposit was paid on exchange and the balance on completion on 16 December 2016 in accordance with the Group's normal terms of trade.

Property 2

David Thomas' connected person reserved a David Wilson home from BDW Trading Limited at a purchase price of £545,000 together with a number of customer extras. A 10% deposit was paid on exchange and the balance was paid on completion on 12 April 2017 in accordance with the Group's normal terms of trade.

Both of the Transactions were conducted at a fair and reasonable market price based on an independent market valuation and similar comparable transactions at the time. On notification by David Thomas of the Transactions, the Board sought advice from its legal advisers and Corporate brokers/sponsors in respect of the application of Chapter 11 and section 190 of the Act (Substantial Property Transaction) (Section 190) to the Transactions. The advice received concluded that the Transactions, both individually and combined, were exempt from the provisions of Chapter 11, due to being classified as a 'Small Transaction'. However, the Transactions were above the threshold prescribed by Section 190 and as David Thomas is a Director of the Company, which is not a wholly owned subsidiary, shareholder approval was required before the Transactions could be completed. The Transactions were therefore approved by the Board in June 2016 subject to shareholder approval being obtained. The Company's shareholders subsequently approved the Transactions at the 2016 AGM.

No amounts remain outstanding for either of the above Transactions as at 30 June 2017.

No other related party transactions that require disclosure, have been entered into during the year under review.

Disclosure of information to auditor

So far as each of the Directors is aware, there is no relevant audit information (that is, information needed by the Company's auditor in connection with preparing its report) of which the Company's auditor is not aware.

Each Director has taken all reasonable steps that they ought to have taken in accordance with their duty as a Director to make themselves aware of any relevant audit information and to ensure that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Act.

Political donations and expenditure

Our policy is that the Group will not make donations to any political party. However, the definition of political donations under the Companies Act 2006 is very broad. During FY17, it was agreed that the Chief Executive would present to the Conservative Councillors' Association annual conference about the issues facing the housing industry and take part in a discussion on how to address the country's housing shortage. The Company paid £3,840 of the cost of the dinner at which this presentation and discussion took place.

Offices

The Group had 29 offices (excluding those offices undertaking an administrative function only) located throughout Britain at the end of the financial year. The Group also has a representative office in Beijing and Shanghai, China. A full list of the Group's offices and their locations can be obtained from the Company Secretary at the Company's registered office or from its website www.barrattddevelopments.co.uk.

Capital structure

The Company has a single class of share capital which is divided into ordinary shares of 10 pence each. All issued shares are in registered form and are fully paid. Details of the Company's issued share capital and of the movements in the share capital during the year can be found in note 5.6 to the Financial Statements on page 155. Subject to the Articles, the Act and other shareholders' rights, shares are at the disposal of the Board. At each AGM the Board seeks authorisation from its shareholders to allot shares. At the AGM held on 16 November 2016, the Directors were given authority to allot shares up to a nominal value of £33,462,297 (representing one-third of the nominal value of the Company's issued share capital as at 30 September 2016), such authority to remain valid until the end of the 2018 AGM or, if earlier, until the close of business on 16 February 2018. A resolution to renew this authority will be proposed at the 2017 AGM.

Rights and obligations attaching to shares

Subject to any rights attached to existing shares, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or if there is no such resolution or so far as it does not make specific provision) as the Board may decide.

Subject to the Act, the Articles specify that rights attached to any existing class of shares may be varied either with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

Voting

Subject to any special terms as to voting upon any shares which may be issued or may at the relevant time be held, every member present in person or by proxy at a general meeting or class meeting has one vote upon a show of hands or, upon a poll vote, one vote for every share of which such member is a holder. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of votes of the other joint holders and seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

In accordance with the Act, each member is entitled to appoint one or more proxies, and in the case of corporations, more than one corporate representative to exercise all or any of their rights to attend, speak and vote on their behalf at a general meeting or class meeting. The timescales for appointing proxies are set out in the Notice of the 2017 AGM.

No member shall be entitled to vote at any general meeting or class meeting in respect of any shares held by them if any call or other sum then payable by them in respect of that share remains unpaid or if they have been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Act.

Transfer of shares

Shares in the Company may be in uncertificated or certificated form. Title to uncertificated shares may be transferred by means of a relevant system and certificated shares may be transferred by an instrument of transfer as approved by the Board. The transferor of a share is deemed to remain the holder until the transferee's name is entered into the Company's register of members.

There are no restrictions on the transfer of shares except as follows. The Board may, in its absolute discretion and without giving any reason, decline to register any transfer of any share which is not a fully paid share. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The Board may decline to register a transfer of a certificated share unless the instrument of transfer: (i) is duly stamped or certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require; (ii) is in respect of only one class of share; (iii) if joint transferees, is in favour of not more than four such transferees; or (iv) where the transfer is requested by a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a restriction notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Act, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).

There are no special control rights in relation to the Company's shares and the Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Shareholder authority for purchase of own shares

At the Company's AGM held on 16 November 2016, shareholders gave authority to the Company to buy back up to an aggregate of 100,386,890 ordinary shares (representing 10% of the Company's issued share capital). This authority is valid until the end of the 2017 AGM or, if earlier, until the close of business on 16 February 2018. Under the authority there is a minimum and maximum price to be paid for such shares. Any shares which are bought back may be held as treasury shares or, if not so held, will be cancelled immediately upon completion of the purchase, thereby reducing the Company's issued share capital.

No purchases had been made under this authority as at the date of this Annual Report and Accounts. A resolution renewing the authority will be proposed at the 2017 AGM.

Dividends and distributions

Subject to the provisions of the Act, the Company may, by ordinary resolution, from time to time declare dividends for payment to the holders of the ordinary shares of 10 pence each, of an amount which does not exceed the amount recommended by the Board. The Board may pay interim dividends, and also any fixed rate dividends, whenever the financial position of the Company justifies their payment in the opinion of the Board. If the Board acts in good faith, it is not liable to holders of shares with preferred or *pari passu* rights for losses arising from the payment of interim or fixed dividends on other shares. The Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% interest if such person has been served with a restriction notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Act.

Shareholder arrangements to waive dividends

The Barratt Developments Employee Benefit Trust (the 'EBT') holds ordinary shares in the Company for the purpose of satisfying options and awards that have been granted under the various employee share schemes operated by the Company. Details of the shares so held are set out in note 5.6 to the Financial Statements.

The EBT has agreed to waive all or any future right to dividend payments on shares held within the EBT and these shares do not count in the calculation of the weighted average number of shares used to calculate EPS until such time as they are vested to the relevant employee. This waiver will not apply to any shares held under an award to which dividend equivalents apply. The Trustees of the EBT may vote or abstain from voting on shares held in the EBT in any way they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the EBT or their dependants.

Relations with other capital providers

The Board recognises the contribution made by other providers of capital to the Group and welcomes the views of such providers in relation to the Group's approach to corporate governance.

Employee share schemes

Details of employee share schemes are set out in note 6.3 to the Financial Statements. Details of long term incentive schemes for the Directors are shown in the Remuneration report on pages 92 to 105.

Employment policy and involvement

(i) Employment and diversity

The Group is committed to seeking to develop the talents of its employees so that they can maximise their career potential and providing rewarding careers in an atmosphere that engenders equal opportunities for all. Selection for employment and promotion is based on merit, following an objective assessment of ability and experience of candidates, after giving full and fair consideration to all applications (including individuals with disabilities). The Group is also committed to ensuring that its workplaces are free from discrimination. The Group strives to ensure that its policies and practices provide equal opportunities in respect of issues such as training, career development and promotion for all existing or potential staff irrespective of gender, race, ethnic origin, colour, religion, physical disability, marital status, sexual orientation or age. Every effort is made to retain and support employees who become disabled whilst working within the Group. Further details on the Group's diversity initiatives are available in the Sustainability Report which is available from www.barrattddevelopments.co.uk/sustainability/our-reports.

(ii) Employee engagement

The Board recognises that appropriate employee engagement is a key factor in the long term success of the Group. It utilises a comprehensive employee engagement programme with the aim of creating a strong, shared culture. All employees are invited to take part in an online engagement survey each year. The results of this survey are fed back to each operating division who use the results to formulate plans for maintaining or improving engagement in the following year. We continue to report high levels of engagement, with scores remaining within the top quartile of IBM's database this year at 78% [2016: 77%].

(iii) Employee communications

A key part of effective employee engagement is communication. The Company seeks to ensure that all significant events, economic factors and financial updates and the impact of these on the performance of the Group are communicated to employees. This is mainly channelled through the Group's intranet and the use of email alerts, core briefings and regular newsletters. Additionally, the Chief Executive regularly briefs senior and middle management via conference calls and bulletins which gives them the opportunity to ask questions and enter into dialogue. Individually and collectively, the Board and the Executive Committee members visit operating divisions and sites frequently in order to assess operational performance, engage with employees on a one-to-one basis and gain first-hand experience of employees' aspirations and concerns.

Strategic Report	Governance	Financial Statements	Other Information
Other statutory disclosures <i>continued</i>			
(iv) Future talent The Group runs a number of programmes for new entrants through our 'Future Talent strategy'. The Group currently has 45 graduates across our two-year and one-year schemes, 15 of which commenced their training in September 2015. In addition, 82 delegates are currently on our bespoke Foundation Degree in Residential Development and Construction in partnership with Sheffield Hallam University. During the year we trained 455 Trade, Technical, Commercial and other apprentices/trainees and 11 undergraduate students on a paid 12-month industrial placement programme. We are now working with the Apprentice trailblazer programmes to help develop standards for the sector, and in partnership with Sheffield Hallam University are planning to deliver a Construction and Commercial Degree Apprenticeship programme.	(v) Employee training and development The Group has a suite of leadership and management development programmes aimed at all levels within the organisation. The programmes are designed and delivered internally and are tailored to the needs of the business. The Group also offers the Barratt Academy, a staged programme to enable employee development from apprentice to site manager as well as within the areas of customer service (new in FY16), our technical and commercial academies have been enhanced and we are making a significant investment into our IT training provision. Succession planning is in place across the Group and the leadership programmes assist with the development of individuals as part of this process. In addition, we have continued to provide development centres for those employees with high potential. We are enhancing our leadership and management development programmes to provide our Directors and project managers with the skills required to manage change and complex projects effectively. We need to be able to successfully introduce and embed changes in our business, and equipping our people with the skills to manage change successfully is a key priority for us. We have developed a Project and Change Management toolkit and development programme, which contains a series of tools and steps we are now using to ensure a robust and reliable approach to managing projects. To supplement our Barratt Academy programmes we have successfully launched a 12 month transition programme for those leaving the armed forces who want to pursue a career in site management. Currently we have 24 on this programme and we are actively recruiting a further 27. Succession planning continues to be a key priority. A key focus this year is to understand the key development needs for those on the succession plan so that we can fast track development for these individuals.	(vi) Employee Sharesave Scheme In April 2017, the Company invited all eligible employees of the Group to participate in the ninth grant under the Savings Related Share Option Scheme (the '2017 Sharesave') which was approved by shareholders at the Company's AGM held in November 2008. The invitations for the 2017 Sharesave allowed eligible employees to contribute a maximum of £500 per month in one or a combination of Sharesave schemes. This enabled those individuals who had participated in previous grants under the Sharesave the opportunity to increase their savings and gave other employees (new and existing) the chance to participate and further align their interests with the performance of the Group. At 30 June 2017, approximately 52% of employees participate in one or more of the active Sharesave schemes.	(vii) Culture and Values The Company takes its collective culture and values very seriously. The Board considers feedback from the employee engagement survey in its overview of the management of the business. The Chief Executive has agreed in FY18 to further analyse, and enhance as necessary, the culture and values of the business. Any initiatives agreed and implemented during FY18 will be reported upon in the Annual Report and Accounts for the year ended 30 June 2018. Articles of Association The Company's Articles of Association (the 'Articles') contain regulations which deal with matters such as the appointment and removal of Directors, Directors' interests and proceedings at general and Board meetings. Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of a special resolution at a general meeting. Approach to tax and tax governance For all taxes, it is the Group's aim to ensure it accurately calculates and pays the tax that is due at the correct time. Whilst the Group does seek to minimise its tax liabilities through the use of legitimate routine tax planning, it does not participate in aggressive tax planning schemes. The Group also seeks to be transparent in its dealings with HMRC and has regular dialogue with its representatives to discuss both developments in the business and the ongoing tax position. In accordance with UK law we will be publishing details of our tax strategy by the end of FY18. The Chief Financial Officer retains overall responsibility for oversight of the tax affairs of the Group. Neil Cooper, Chief Financial Officer was Senior Accounting Officer until leaving the Group on 19 January 2017 at which time, David Thomas assumed the responsibility in his capacity of Chief Executive and Interim Chief Financial Officer. With effect from 1 July 2017 Jessica White became the Senior Accounting Officer. The Senior Accounting Officer receives regular updates on the tax position. In addition, taxation is discussed by the Audit Committee at least annually.

Significant agreements

The following significant agreements as at 30 June 2017 contained provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company:

- The revolving credit facility agreement dated 14 May 2013 (as amended on 17 December 2014, 30 June 2016 and 29 December 2016) made between, amongst others, the Company, Lloyds Bank Plc (as the facility agent) and the banks and financial institutions named therein as lenders (the 'Revolving Credit Facility Agreement') contains a prepayment provision at the election of each lender on change of control. The Company must notify the facility agent promptly upon becoming aware of the change of control. After the occurrence of a change of control, the facility agent shall (if a lender so requests within 20 days of being notified of the change of control) by notice to the Company, on the date falling 30 days after the change of control, cancel the commitment of such lender under the Revolving Credit Facility Agreement and declare all amounts outstanding in respect of such lender under the Revolving Credit Facility Agreement immediately due and payable. The Revolving Credit Facility Agreement also contains a provision such that, following a change of control, a lender is not obliged to fund any further drawdown of the facility (other than rollover loans). For these purposes, a 'change of control' occurs if any person or group of persons 'acting in concert' (as defined in the City Code on Takeovers and Mergers) gains control (as defined in the Corporation Tax Act 2010) of the Company.

- Each of the note purchase agreements entered into in respect of the Group's privately placed notes (being the US\$80m of notes issued pursuant to the following note purchase agreements: (i) a note purchase agreement in respect of the issue of US\$15m notes dated 10 May 2011 (as amended and restated on 14 May 2013 and as amended on 17 December 2014); and (ii) a note purchase agreement in respect of the issue of US\$65m notes also dated 10 May 2011 (as amended and restated on 14 May 2013 and as amended on 17 December 2014)) contains a change of control prepayment provision. Each such control provision provides that promptly after the Company becomes aware that a change of control has occurred, the Company shall notify all the holders of the notes of the same and give the noteholders the option to require the Company to prepay at par all outstanding amounts (principal and interest) under the notes. If a noteholder accepts such offer of prepayment, such prepayment shall take place on a business day that is not more than 90 days after the Company notified the noteholders of the change of control. For these purposes a 'change of control' means the acquisition by a person or a group of persons 'acting in concert' (as defined in the City Code on Takeovers and Mergers) such that they gain beneficial ownership of more than 50% of the issued share capital of the Company carrying voting rights. As explained in the post Balance Sheet event on page 106 the Group refinanced this US Private Placement. Full disclosure of the new private placement will be made in the 2018 Annual Report and Accounts.

- Each of the debt facility agreements (based on a proforma agreement agreed in October 2012) between the Company (as guarantor), BDW (as borrower and developer) and the Homes and Communities Agency ('HCA') (as lender), whereby the HCA has made up to £33m (in aggregate) of project financing available to fund up to 20 development sites, contains a provision requiring BDW Trading Limited to obtain the consent of the HCA on a change in control of the Company, BDW or any of their holding companies (if relevant). The HCA is entitled to withhold its consent to such a change in control if the new controller does not have sufficient reputation, financial standing or organisational standing and capacity. A failure to: (i) obtain the HCA's consent to a change in control; and (ii) provide the HCA with notice of the change in control within a specified time period, is an event of default under each of these agreements. On such an event of default the HCA may, by notice in writing to BDW, terminate each debt facility agreement and require BDW to prepay the project financing. For these purposes a 'change in control' means the acquisition by a person or a group of persons acting together such that they gain beneficial ownership of more than 50% of the issued share capital or voting rights of the relevant company, have the right to appoint the majority of the Directors of the relevant company or otherwise control the votes at Board meetings of the relevant company.

The note purchase agreements also impose upon the holders customary restrictions on resale or transfer of the notes, such as the transfer being subject to a de minimis amount.

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 on page 124). For this reason, they continue to adopt the going concern basis in the preparation of these Financial Statements.

On behalf of the Board



Tina Bains

Company Secretary

5 September 2017

Statement of Directors' Responsibilities

Financial Statements and accounting records

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

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

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's 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 transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Fair, balanced and understandable

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

Directors' responsibility statement

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

- a) the Group and Parent Company Financial Statements in this Annual Report and Accounts, which have been prepared in accordance with IFRS, Standing Interpretation Committee interpretations as adopted and endorsed by the European Union, International Financial Reporting Interpretations Committee interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and
- b) the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

The Directors of the Company and their functions are listed on pages 46 and 47.

By order of the Board



David Thomas
Chief Executive

5 September 2017



Jessica White
Chief Financial Officer

5 September 2017

The Directors' Report from pages 45 to 112 inclusive was approved by the Board on 5 September 2017 and is signed on its behalf by:



Tina Bains
Company Secretary

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Key to financial icons

Throughout the Financial Statements you will see these icons used, they represent the following:

Image removed

Group accounting policies

Image removed

Critical accounting judgements and key sources of estimation uncertainty

Independent Auditor's Report to the members of Barratt Developments PLC

Report on the audit of the Financial Statements

Opinion

In our opinion:

- > the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2017 and of the Group's profit for the year then ended;
- > the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- > the Parent Company Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- > the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We have audited the Financial Statements of Barratt Developments PLC (the 'Parent Company') and its subsidiaries (the 'Group') which comprise:

- > the Consolidated Income Statement;
- > the Consolidated and Parent Company Statement of Comprehensive Income;
- > the Consolidated and Parent Company Statements of Changes in Equity;
- > the Consolidated and Parent Company Balance Sheets;
- > the Consolidated and Parent Company Cash Flow Statements; and
- > the related notes 1 to 7.5.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our Report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

- The key audit matters that we identified in the current year were:
- > carrying value of land and work in progress; and
 - > impairment of goodwill and intangible assets.
- There are no changes to the key audit matters from the prior year.

Materiality

The materiality that we used in the current year was £38.3m which was determined on the basis of 5% of statutory profit before tax.

Scoping

Consistent with our approach in the prior year, our Group audit scope focused on the audit work of the two components, being housebuilding and commercial developments. All audit work was completed by the Group audit team.

Significant changes in our approach

There are no significant changes in our approach from the prior year.

Conclusions relating to principal risks, going concern and viability statement

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1.3 to the Financial Statements and the Directors' statement on the longer-term viability of the Group contained within the Strategic Report on page 44.

We are required to state whether we have anything material to add or draw attention to in relation to:

- > the disclosures on pages 42-44 that describe the principal risks and explain how they are being managed or mitigated;
- > the Directors' confirmation on page 44 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- > the Directors' statement in note 1.3 to the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing the Company's financial statements to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- > the Directors' explanation on page 44 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to whether the Directors' statements relating to going concern and the prospects of the Company required in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independent Auditor's Report to the members of Barratt Developments PLC continued

Impairment of goodwill and intangible assets – £892.2m (2016: £892.2m)

Key audit matter description

The goodwill and David Wilson Homes brand intangible asset arose upon the acquisition of Wilson Bowden (see note 4.2). The Group's assessment of impairment of goodwill and intangible assets is a judgemental process which requires estimates concerning the forecast future cash flows associated with the goodwill, and bi and assets held, the discount rates and the growth rate of revenue, which incorporates assumptions on volume, house price inflation and margin, together with costs, to be applied in determining the value in use. The Group determined the discount rate to use in the impairment test with the assistance of an independent firm based on its weighted average cost of capital rate ('WACC').

As described in the previous key audit matter, the outcome of the EU referendum and UK General Election has resulted in greater political and economic uncertainty which may impact selling prices, sales rates and build costs, especially in the longer term.

There were no impairments in the current year (2016: £nil).

Refer to page 69 (Audit Committee Statement) and note 4.2 (Financial statement disclosures including the related Critical Accounting Judgements and Key Sources of Estimation Uncertainty).

How the scope of our audit responded to the key audit matter

Our work involved the following.

- We have assessed the design and implementation of the Group's controls relating to Management's impairment review of goodwill and intangible assets.
- We have tested the accuracy of the underlying model to assess whether the processes are applied to the correct input data and the outputs are mapped accurately.
- We challenged each of the key assumptions employed in the annual goodwill impairment test, including volumes, house price inflation, margin and costs; this included reference to historical performance, forward looking market data and forecast trends in the industry.
- This included reference to our internal valuation specialists' benchmarking of the WACC employed as the discount rate, including its methodology and constituent inputs, comparison to independent market forecasts of revenue and cost growth in the housebuilding sector and an assessment of the Group's historic forecasting accuracy.
- We have tested Management's sensitivity analysis in relation to the key inputs to the goodwill impairment test model, as well as performing our own sensitivity analysis which included changes to volume, margin, incentives and the discount rate applied.
- We have reviewed the appropriateness of the disclosures provided in accordance with IAS 36 'Impairment of Assets'.

Key observations

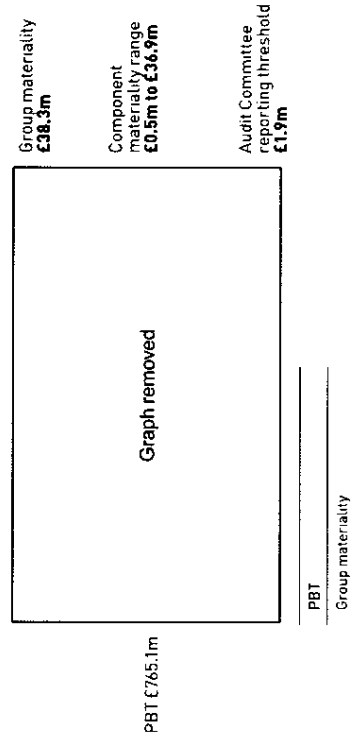
Based upon our procedures, we are satisfied that no impairment of the value of goodwill and intangibles assets is required.

Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

Group materiality	£38.3m (2016: £33.5m).
Basis for determining materiality	5% of statutory profit before tax in both the current and prior year.
Rationale for the benchmark applied	Statutory profit before tax was used as the benchmark because this is a key performance indicator for the Group's stakeholders and is consistent with the benchmark used for comparable companies.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.9m (2016: £1.7m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The entire Group is audited by one audit team, led by the Senior Statutory Auditor. The audit is performed centrally and comprises all the divisions which comprise the Group's housebuilding segment, the Group's commercial developments segment and the head office consolidation. Consistent with prior years, we choose to visit the Group's three London housebuilding divisions each year, as well as five further non-London housebuilding divisions across each of the Group's regions, selected on a rotational basis and with reference to size and complexity among other factors. We also visit Wilson Bowden Developments Limited on an annual basis, which constitutes the majority of the Group's commercial developments segment, this was audited to its local statutory audit materiality determined on a profit before tax basis.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our Report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- > **Fair, balanced and understandable** – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- > **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- > **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10(R)(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

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 Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our Auditor's Report.

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.

Independent Auditor's Report to the members of Barratt Developments PLC *continued*

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

- Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
 - adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
 - the Parent Company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

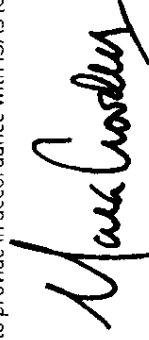
Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were re-appointed by the Board in November 2016 to audit the Financial Statements for the year ending 30 June 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is ten years, covering the years ending 30 June 2008 to 30 June 2017.

Consistency of the Auditor's 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).



Mark Goudley (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
5 September 2017

Consolidated Income Statement Year ended 30 June 2017

Continuing operations	Notes	2017 £m	2016 £m
Revenue	2.1, 2.2	4,650.2	4,235.2
Cost of sales		(3,718.2)	(3,434.8)
Gross profit		932.0	800.4
Analysed as:			
Adjusted gross profit		940.8	800.4
Cost associated with commercial asset	2.2	(8.8)	-
Administrative expenses		(132.8)	(132.0)
Profit from operations	2.3	799.2	668.4
Analysed as:			
Adjusted operating profit		808.0	668.4
Cost associated with commercial asset	2.2	(8.8)	-
Finance income		5.2	5.9
Finance costs		(62.6)	(64.1)
Net finance costs		(57.7)	(58.2)
Share of post-tax profit from joint ventures	4.3	25.4	71.9
Share of post-tax profit from associates	4.3	0.2	0.2
Profit before tax		765.1	682.3
Analysed as:			
Adjusted profit before tax		773.9	682.3
Cost associated with commercial asset	2.2	(8.8)	-
Tax	2.6.1	(149.1)	(132.0)
Profit for the year		616.0	550.3
Profit for the year attributable to the owners of the Company		615.8	550.3
Profit for the year attributable to non-controlling interests	4.1.2	0.2	-
Earnings per share from continuing operations			
Basic	2.4	61.3p	55.1p
Diluted	2.4	60.7p	54.3p

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 £33.8m (2016: £1.4m profit).

Statement of Comprehensive Income Year ended 30 June 2017

	Notes	2017 £m	2016 £m	2017 £m	2016 £m
Profit/(loss) for the year		616.0	550.3	[33.8]	1.4
Other comprehensive income/(expense):					
Items that will not be reclassified to profit or loss					
Actuarial loss on defined benefit pension scheme	6.2.2	(4.4)	(9.0)	(4.4)	(9.0)
Fair value adjustment on available for sale financial assets	3.5	-	0.5	-	-
Tax credit relating to items not reclassified		0.9	1.7	0.9	1.8
Total items that will not be reclassified to profit or loss		(3.5)	(6.8)	(3.5)	(7.2)
Items that may be reclassified subsequently to profit or loss					
Amounts deferred in respect of effective cash flow hedges	5.2 5.4.3	1.9	6.3	1.9	6.3
Amounts reclassified to the Income Statement in respect of hedged cash flows	5.2 5.4.3	10.2	(1.1)	10.2	(1.1)
Tax charge relating to items that may be reclassified		(2.4)	(1.2)	(2.4)	(1.2)
Total items that may be reclassified subsequently to profit or loss		9.7	4.0	9.7	4.0
Total comprehensive income/(expense) recognised for the year		622.2	547.5	(27.6)	(1.8)
Total comprehensive income/(expense) recognised for the year attributable to the owners of the Company		622.0	547.5	(27.6)	(1.8)
Total comprehensive income recognised for the year attributable to non-controlling interests	4.1.2	0.2	-	-	-

The notes on pages 124 to 174 form an integral part of these Financial Statements.

Statement of Changes in Shareholders' Equity – Group

	Share capital (note 5.6.1) £m	Share premium £m	Merger reserve (note 4.1.1) £m	Hedging reserve (note 5.4.3) £m	Own shares (note 5.6.2) £m	Share-based payments (note 6.3) £m	Group retained earnings due to shareholders of the Company £m	Total Group retained earnings due to shareholders of the Company £m	Non-controlling interests (note 4.1.2) £m	Total equity £m
At 1 July 2015	99.5	219.1	1,109.0	(13.7)	(2.7)	34.0	2,257.2	2,285.5	8.9	3,711.3
Profit for the year	-	-	-	-	-	-	550.3	550.3	-	550.3
Amounts deferred in respect of effective cash flow hedges	-	-	-	6.3	-	-	-	-	-	6.3
Amounts reclassified to the Income Statement in respect of hedged cash flows	-	-	-	(1.1)	-	-	-	-	-	(1.1)
Fair value adjustments on available for sale financial assets	-	-	-	-	-	-	0.5	0.5	-	0.5
Actuarial losses on pension scheme	-	-	-	-	-	-	(9.0)	(9.0)	-	(9.0)
Tax on items above taken directly to equity	-	-	-	(1.2)	-	-	1.7	1.7	-	0.5
Total comprehensive income recognised for the year ended 30 June 2016	-	-	-	4.0	-	-	543.5	543.5	-	547.5
Dividend payments	-	-	-	-	-	-	(263.2)	(263.2)	-	(263.2)
Issue of shares	0.9	3.6	-	-	-	-	(0.6)	(0.6)	-	3.9
Share-based payments	-	-	-	-	-	12.8	-	12.8	-	12.8
Net purchase of own shares	-	-	-	-	(0.8)	-	-	(0.8)	-	(0.8)
Transfer of share-based payments charge for exercised/lapsed options	-	-	-	-	-	(10.8)	10.8	-	-	-
Tax on share-based payments	-	-	-	-	-	(8.5)	7.2	(1.3)	-	(1.3)
At 30 June 2016	100.4	222.7	1,109.0	(9.7)	(3.5)	27.5	2,554.9	2,578.9	8.9	4,010.2
Profit for the year	-	-	-	-	-	-	615.8	615.8	0.2	616.0
Amounts deferred in respect of effective cash flow hedges	-	-	-	1.9	-	-	-	-	-	1.9
Amounts reclassified to the Income Statement in respect of hedged cash flows	-	-	-	10.2	-	-	-	-	-	10.2
Actuarial losses on pension scheme	-	-	-	-	-	-	(4.4)	(4.4)	-	(4.4)
Tax on items above taken directly to equity	-	-	-	(2.4)	-	-	0.9	0.9	-	(1.5)
Total comprehensive income recognised for the year ended 30 June 2017	-	-	-	9.7	-	-	612.3	612.3	0.2	622.2
Dividend payments	-	-	-	-	-	-	(321.7)	(321.7)	-	(321.7)
Issue of shares	0.4	2.0	-	-	-	-	-	-	-	2.4
Share-based payments	-	-	-	-	-	9.1	-	9.1	-	9.1
Purchase of own shares	-	-	-	-	(3.6)	-	-	(3.6)	-	(3.6)
Transfer of share-based payments charge for exercised/lapsed options	-	-	-	-	5.8	(14.4)	8.7	0.1	-	0.1
Tax on share-based payments	-	-	-	-	-	0.7	2.8	3.5	-	3.5
At 30 June 2017	100.8	224.7	1,109.0	-	(1.3)	22.9	2,857.0	2,878.6	9.1	4,322.2

The notes on pages 124 to 174 form an integral part of these Financial Statements.

Statement of Changes in Shareholders' Equity – Company

	Share capital (note 5.6.1) £m	Share premium £m	Merger reserves (note 4.1.1) £m	Hedging reserves (note 5.4.3) £m	Own shares (note 5.6.2) £m	Share-based payments (note 4.3) £m	Retained earnings £m	Total retained earnings £m	Total equity £m
At 1 July 2015	99.5	219.1	1,109.0	[13.7]	[2.7]	26.2	2,432.3	2,453.8	3,869.7
Profit for the year	-	-	-	-	-	-	1.4	1.4	1.4
Amounts deferred in respect of effective cash flow hedges	-	-	-	6.3	-	-	-	-	6.3
Amounts reclassified to the Income Statement in respect of hedged cash flows	-	-	-	[1.1]	-	-	-	-	[1.1]
Actuarial losses on pension scheme	-	-	-	-	-	-	[9.0]	[9.0]	[9.0]
Tax on items above taken directly to equity	-	-	-	[1.2]	-	-	1.8	1.8	0.6
Total comprehensive income recognised for the year ended 30 June 2016	-	-	-	4.0	-	-	[5.8]	[5.8]	[1.8]
Dividend payments	-	-	-	-	-	-	[263.2]	[263.2]	[263.2]
Issue of shares	0.9	3.6	-	-	-	-	[0.6]	[0.6]	3.9
Share-based payments	-	-	-	-	-	12.8	-	12.8	12.8
Net purchase of own shares	-	-	-	-	[0.8]	-	-	-	[0.8]
Transfer of share-based payments charge for exercised/lapsed options	-	-	-	-	-	[10.8]	3.7	[7.1]	[7.1]
Tax on share-based payments	-	-	-	-	-	12.2	2.0	[0.2]	[0.2]
At 30 June 2016	100.4	222.7	1,109.0	[9.7]	[3.5]	26.0	2,168.4	2,190.9	3,613.3
Loss for the year	-	-	-	-	-	-	[33.8]	[33.8]	[33.8]
Amounts deferred in respect of effective cash flow hedges	-	-	-	1.9	-	-	-	-	1.9
Amounts reclassified to the Income Statement in respect of hedged cash flows	-	-	-	10.2	-	-	-	-	10.2
Actuarial losses on pension scheme	-	-	-	-	-	-	[4.4]	[4.4]	[4.4]
Tax on items above taken directly to equity	-	-	-	[2.4]	-	-	0.9	0.9	[1.5]
Total comprehensive income recognised for the year ended 30 June 2017	-	-	-	9.7	-	-	[37.3]	[37.3]	[27.6]
Dividend payments	-	-	-	-	-	-	[321.7]	[321.7]	[321.7]
Issue of shares	0.4	2.0	-	-	-	-	-	-	2.4
Share-based payments	-	-	-	-	-	9.1	-	-	9.1
Purchase of own shares	-	-	-	-	[3.6]	-	-	-	[3.6]
Transfer of share-based payments charge for exercised/lapsed options	-	-	-	-	5.8	[14.4]	[0.4]	[9.0]	[9.0]
Tax on share-based payments	-	-	-	-	-	0.2	0.3	0.5	0.5
At 30 June 2017	100.8	224.7	1,109.0	-	[1.3]	20.9	1,809.3	1,828.9	3,263.4

The notes on pages 124 to 174 form an integral part of these Financial Statements.

Balance Sheets At 30 June 2017

	Group		Company	
	Notes	2017 £m	2016 £m	2016 £m
Assets				
Non-current assets				
Other intangible assets	4.2.2	100.0	100.0	-
Goodwill	4.2.1	792.2	792.2	-
Property, plant and equipment	4.5	9.5	9.6	4.8
Investments in subsidiary undertakings	4.1.3	-	-	3,100.1
Investments in joint ventures and associates	4.3	213.1	255.9	23.1
Retirement benefit assets	6.2.2	13.6	8.1	13.6
Available for sale financial assets	3.5	3.5	3.8	-
Trade and other receivables	3.2	2.3	1.6	-
Deferred tax assets	2.6.3	-	-	2.5
Derivative financial instruments – swaps	5.4	-	11.8	-
		1,134.2	1,183.0	3,116.9
Current assets				3,150.4
Inventories	3.1	4,475.4	4,326.6	-
Available for sale financial assets	3.5	0.4	0.8	-
Trade and other receivables	3.2	204.5	149.6	79.3
Cash and cash equivalents	5.1	784.4	758.0	729.0
Derivative financial instruments – swaps	5.4	13.2	-	13.2
		5,477.9	5,235.0	807.1
Total assets		6,612.1	6,418.0	3,957.5

The Financial Statements of Barratt Developments PLC (registered number 604574) were approved by the Board and authorised for issue on 5 September 2017. Signed on behalf of the Board:

David Thomas
David Thomas
Chief Executive

Jessica White
Jessica White
Chief Financial Officer

	Group		Company	
	Notes	2017 £m	2016 £m	2016 £m
Liabilities				
Non-current liabilities				
Loans and borrowings	5.1	(1.4)	(171.5)	-
Trade and other payables	3.3	(596.9)	(629.9)	(0.2)
Deferred tax liabilities	2.6.3	(8.0)	(10.5)	(0.5)
Derivative financial instruments – swaps	5.4	-	(17.5)	-
		(606.3)	(819.4)	(0.7)
Current liabilities				(158.2)
Loans and borrowings	5.1	(72.5)	(6.0)	(111.8)
Trade and other payables	3.3	(1,534.2)	(1,513.5)	(137.6)
Derivative financial instruments – swaps	5.4	(5.8)	(5.6)	(5.8)
Current tax liabilities		(71.1)	(63.3)	(0.1)
		(1,683.6)	(1,588.4)	(649.1)
Total liabilities		(2,289.9)	(2,407.8)	(844.2)
Net assets		4,322.2	4,010.2	3,263.4
Equity				
Share capital	5.6.1	100.8	100.4	100.4
Share premium		224.7	222.7	224.7
Merger reserve	4.1.1	1,109.0	1,109.0	1,109.0
Hedging reserve	5.4.3	-	(9.7)	(9.7)
Retained earnings		2,878.6	2,578.9	1,828.9
Equity attributable to the owners of the Company		4,313.1	4,001.3	3,263.4
Non-controlling interests	4.1.2	9.1	8.9	-
Total equity		4,322.2	4,010.2	3,263.4

The notes on pages 124 to 174 form an integral part of these Financial Statements.

Cash Flow Statements Year ended 30 June 2017

	Group			Company	
	Notes	2017 £m	2016 £m	2017 £m	2016 £m
Net cash inflow from operating activities		388.6	652.9	360.1	671.1
Investing activities:					
Purchase of property, plant and equipment	4.5	(4.0)	(6.1)	(2.2)	(3.2)
Increase in amounts invested in entities accounted for using the equity method	4.3	(56.9)	(33.6)	-	-
Repayment of amounts invested in entities accounted for using the equity method	4.3	37.2	21.7	22.1	2.5
Dividends received from investments accounted for using the equity method	4.3	85.1	28.1	-	-
Interest received		2.5	2.6	0.7	37.4
Net cash inflow from investing activities		65.9	12.7	20.6	36.7
Financing activities:					
Dividends paid	2.5	(321.7)	(263.2)	(321.7)	(263.2)
Purchase of own shares		(3.6)	(1.0)	(3.6)	(1.0)
Proceeds from disposal of own shares		0.1	0.2	0.1	0.2
Proceeds from issue of share capital		2.4	3.9	2.4	3.9
Loan repayments		(105.6)	(10.9)	(100.0)	(115.8)
Drawdown of loans		0.3	3.0	16.9	3.0
Net cash outflow from financing activities		(428.1)	(268.0)	(405.9)	(272.9)
Net increase/(decrease) in cash and cash equivalents		26.4	397.6	(25.2)	434.9
Cash and cash equivalents at the beginning of the year		756.0	360.4	729.0	294.1
Cash and cash equivalents at the end of the year	5.1	784.4	758.0	703.8	729.0

	Group			Company	
	Notes	2017 £m	2016 £m	2017 £m	2016 £m
Reconciliation of operating profit to cash flow from operating activities					
Operating activities:					
Profit/(loss) from operations		799.2	668.4	(7.3)	(9.5)
Depreciation	4.5	4.1	4.5	2.1	2.0
Loss on disposal of fixed assets		-	0.2	-	0.2
Impairment of inventories	3.1	13.5	8.6	-	-
Impairment/(reversal of impairment) of available for sale financial assets		(2.6)	2.1	-	-
Impairment of investment in entities accounted for using the equity method	4.3	1.0	-	1.0	-
Share-based payments charge	6.3	9.1	12.8	1.7	3.4
Imputed interest on deferred term payables*	5.2	(32.5)	(34.5)	-	-
Imputed interest on available for sale financial assets and interest free loans*	5.2	-	2.9	-	-
Amortisation of facility fees	5.2	(3.3)	(2.9)	(3.3)	(2.9)
Finance income related to employee benefits	5.2	0.4	0.4	0.4	0.4
Total non-cash items		(10.3)	(5.9)	1.9	3.1
Increase in inventories		(162.3)	(161.6)	-	-
Increase/decrease in trade and other receivables		(66.7)	(0.9)	(11.1)	607.8
Decrease/increase in trade and other payables		(9.7)	188.5	404.9	94.7
Decrease in available for sale financial assets		3.3	100.8	-	-
Total movements in working capital		(235.4)	126.8	393.8	702.5
Interest paid		(23.2)	(26.8)	(28.3)	(25.0)
Tax paid		(141.7)	(109.6)	-	-
Net cash inflow from operating activities		388.6	652.9	360.1	671.1

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

The notes on pages 124 to 174 form an integral part of these Financial Statements.

Notes to the Financial Statements Year ended 30 June 2017

Section

1

Basis of preparation

1.1 Introduction

These Financial Statements have been prepared in accordance with IFRS as issued by the IASB, IFRIC interpretations and SIC interpretations as adopted and endorsed by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore the Group Financial Statements comply with Article 4 of the EU International Accounting Standards Regulation. The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets, derivative financial instruments and share-based payments.

Group accounting policies

The significant Group accounting policies are included within the relevant notes to the Financial Statements on pages 124 to 174.

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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 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 set out within the relevant notes on pages 124 to 174.

1.2 Basis of consolidation

The Group Financial Statements include the results of Barratt Developments PLC (the 'Company'), incorporated in the UK, and all its subsidiary undertakings made up to 30 June. The financial statements of subsidiary undertakings are consolidated from the date when control passes to the Group using the purchase 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 can continue in operational existence for the foreseeable future.

The Group's business activities, together with factors which the Directors consider are likely to affect its future development, financial performance and financial position are set out in the Strategic Report on pages 1 to 44. The material financial and operational risks and uncertainties that may have an impact upon the Group's performance and their mitigation are outlined on pages 41 to 44 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 5.5 to the Financial Statements.

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the Risk Management section on pages 40 to 44, factors that particularly affect the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for the Group's customers and interest rates. In forming their conclusion, the Directors have considered all currently available information about the potential future outcomes of events and changes in conditions that are reasonably possible at the time of making this statement. In doing this they have concluded that no material uncertainties exist.

At 30 June 2017 the Group had total committed bank facilities and private placement notes of £748.3m. The final maturity dates of these facilities range from August 2017 to December 2021, with the £700.0m revolving credit facility maturing in December 2021. Since the balance sheet date the US\$ private placement notes have been repaid and new sterling US private placement notes have been issued resulting in total committed bank facilities and private placement notes of £900.0m with maturities ranging from December 2021 to August 2027. The committed facilities and private placement notes provide appropriate headroom above our current forecast debt requirements.

In addition to these committed borrowing facilities the Group has £16.8m of financing from the Government's Get Britain Building scheme repayable on 31 March 2018. Further committed loan facilities of £4.6m are available under agreements with local government which are due to be repaid between March 2018 and March 2020.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the Financial Statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these Financial Statements. For this reason, they continue to adopt the going concern basis in the preparation of these Financial Statements.

1.4 Adoption of new and revised standards

In the year ended 30 June 2017, the Group has adopted no new standards, amendments or interpretations.

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 2017 and later periods. The Group has not early-adopted any standard, amendment or interpretation.

The following new standards in particular are expected to have an impact upon the Group:

► IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014 and amended in September 2015. This standard will be applicable to the Group from 1 July 2018. The standard sets out requirements for revenue recognition from contracts with customers. The standard uses a five-step model to apportion revenue to the individual promises, or performance obligations within a contract on the basis of standalone selling prices. We do not currently expect the standard to have a material impact on our reported results. The Group continues to assess the impact of the standard on the Group, however, we have concluded on a number of areas which are likely to affect the Group results:

The Group previously offered a five-year warranty on private house sales. Under existing standards, no adjustment is made to revenue to reflect this warranty when the property is sold, although an allowance for future costs associated to the warranty is held within the Balance Sheet. An element of this warranty represents a separate performance obligation. On transition to IFRS 15, an element of the sales price of plots previously sold with this warranty will be deferred and recognised over the warranty period following the sale. The impact of this at transition is a net reduction in brought forward reserves of less than 1%. The associated revenue and cost of sales will be subsequently recognised over the warranty period in the Income Statement, with the majority of this revenue and cost of sales recognised by the end of FY20. This will have a temporary, positive impact on gross margin following transition.

The timing of revenue recognition on some long term commercial and housing contracts is likely to change. The timing, in some cases, of completion related revenue on commercial contracts may be brought forward, with revenue on housing contracts delayed. The effect of these changes is expected to be minimal as since the end of FY15 only a small number of new housing contracts have been recognised on a long term contract basis.

The standard will require presentational changes to our Income Statement to show part-exchange income and expenses separately below gross margin. These income and costs are currently recognised on a net basis within cost of sales, as disclosed in note 2.1. This change is expected to have a negative impact of less than 1% on gross margin.

In addition, some presentation changes will be necessary. Introductory fees are currently deducted from revenue but under the new standard will be recognised in cost of sales. This will have no effect on gross margin. Management fees on construction contracts currently included in other income, will form part of revenue which will have a minimal positive impact on gross margin.

The above items will have no effect on the Group's cash flows.

► IFRS 16 'Leases' was issued in January 2016, it is expected to be effective for the Group from 1 July 2019. The standard specifies how leases are recognised, presented, measured and disclosed. The standard requires the recognition of a right of use asset and a corresponding lease liability on the Balance Sheet. In the Income Statement, the existing operating lease charge, the majority of which is currently recognised within operating profit will be replaced by a depreciation charge in respect of the right of use asset. In addition there will be an interest cost in relation to the lease liability which will be recognised within finance costs. The Group has continued its assessment of the impact of the standard on the Group's results and financial position. We do not currently expect the standard to have a material impact on our reported results. The majority of the Group's lease commitments will be brought onto the Balance Sheet together with corresponding right of use assets. This is likely to impact the timing of the recognition of lease costs within the Income Statement although it will not affect the Group's cash flows. Based on an analysis of lease commitments held by the Group at the previous year end, and utilising estimated discount rates, the approximated net impact of the standard based on those lease commitments, would be a net reduction in profit before tax of less than 1% and a reduction in net assets of less than 1%. A detailed impact assessment of the standard will be made closer to transition, as the composition of the Group's lease commitments are likely to change over time and the discount rates applied are required to be updated to reflect the prevailing economic environment.

► IFRS 9 'Financial Instruments' was issued in final form incorporating the impairment, classification and measurement requirements in July 2014, and is scheduled to replace IAS 39 'Financial Instruments: Recognition and Measurement' for the Group from 1 July 2018. IFRS 9 will impact the classification, measurement, impairment and de-recognition of financial instruments as well as introducing a new hedge accounting model. The Group continues to assess the impact and application of the standard on the Group's results and financial position. We do not currently expect the standard to have a material impact on our reported results. The impairment requirements of the standard will require the Group to consider the expected lifetime losses on all financial assets. In addition, the requirements of the new hedge accounting model will be reflected in the Group's existing hedging strategy, policies and documentation.

There may be corresponding tax liability implications in relation to all of the above impacts.

► Amendments to IAS 7 'Statement of Cash Flows' was issued in January 2016 and will be applicable to the Group from 1 July 2017. The Amendment requires enhanced disclosures of changes in financing liabilities.

Notes to the Financial Statements Year ended 30 June 2017 *continued*

Section

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.

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Sale of goods – 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. The sale proceeds of part-exchange properties are not included in revenue and are recognised on a net basis within cost of sales on the basis that they are incidental to the main revenue-generating activities of the Group.

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Contract accounting revenue – Revenue is only recognised on a construction contract where the outcome can be estimated reliably. Contracts are only treated as construction contracts when they have been specifically negotiated for the construction of a development or property. Variations to, and claims arising in respect of, construction contracts, are included in revenue to the extent that they have been agreed with the customer. 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. No revenue is recognised until a contract has reached an appropriate stage of completion which is normally assessed to be when over 30% of the total contract work has been completed. When it is probable that the total costs on a construction contract will exceed total contract revenue, the expected loss is immediately recognised as an expense in the Income Statement.

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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 to third parties. Rental income from these operating leases is recognised in the Income Statement on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised in the Income Statement on a straight-line basis over the lease term.

An analysis of the Group's revenue is as follows:

	Notes	2017 £m	2016 £m
Sale of goods		4,585.9	4,073.0
Contract accounting revenue		64.3	162.2
Revenue as stated in the Consolidated Income Statement		4,650.2	4,235.2
Lease income	7.1.2	0.8	0.9
Finance income	5.2	2.9	5.9
Forfeited deposits		0.7	0.8
Other income		45.9	51.6
Total revenue		4,700.5	4,294.4

Sale of goods includes £437.7m (2016: £369.9m) of revenue generated where the sale has been achieved using part-exchange incentives.

Proceeds received on the disposal of part-exchange properties, which are not included in revenue, were £241.3m (2016: £220.1m).

Other income principally comprises the sale of freehold reversions, property management income and management fees receivable from joint ventures.

2.2 Segmental analysis

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

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Adjusted items – Items that are material in size or unusual or infrequent in nature are presented as adjusted items in the Income Statement. The Directors are of the opinion that the separate presentation of adjusted items provides helpful information about the Group's underlying business performance. Examples of events that, inter alia, may give rise to the classification of items as adjusted are the restructuring of existing and newly-acquired businesses, refinancing costs, gains or losses on the disposal of businesses or individual assets, pension scheme curtailments and asset impairments, including land, work in progress, goodwill and investments.

	House- building Units	Commercial developments Units	2017 Total Units	House- building Units	Commercial developments Units	2016 Total Units
Residential completions*	16,645	-	16,645	15,905	-	15,905
Consolidated Income Statement	£m	£m	£m	£m	£m	£m
Revenue	4,589.1	61.1	4,650.2	4,153.3	81.9	4,235.2
Cost of sales	(3,661.9)	(47.5)	(3,709.4)	(3,361.3)	(73.5)	(3,434.8)
Adjusted item ¹	-	(8.8)	(8.8)	-	-	-
Gross profit	927.2	4.8	932.0	792.0	8.4	800.4
Administrative expenses	(129.4)	(3.4)	(132.8)	(129.6)	(2.4)	(132.0)
Profit from operations	797.8	1.4	799.2	662.4	6.0	668.4
Share of post-tax profit/(loss) from joint ventures and associates	26.5	(0.9)	25.6	72.4	(0.3)	72.1
Profit from operations, including post-tax profit/(loss) from joint ventures and associates	824.3	0.5	824.8	734.8	5.7	740.5
Finance income			2.9			5.9
Finance costs			(62.6)			(66.1)
Profit before tax			765.1			682.3
Tax			(149.1)			(132.0)
Profit for the year from continuing operations			616.0			550.3

* Residential completions exclude joint venture completions of 750 (2016: 1,414) in which the Group has an interest.

	House- building £m	Commercial developments £m	2017 Total £m	House- building £m	Commercial developments £m	2016 Total £m
Balance Sheet						
Segment assets	5,821.4	27.6	5,849.0	5,660.0	42.7	5,699.2
Elimination of intercompany balances			(21.3)			(30.2)
Cash and cash equivalents			764.4			758.0
Consolidated total assets			6,612.1			6,418.0
Segment liabilities	(2,081.9)	(76.3)	(2,158.2)	(2,114.3)	(72.4)	(2,186.7)
Elimination of intercompany balances			21.3			30.2
Loans and borrowings			(73.9)			(177.5)
Deferred tax liabilities			(8.0)			(10.5)
Current tax liabilities			(71.1)			(63.9)
Consolidated total liabilities			(2,289.9)			(2,407.8)

	House- building £m	Commercial developments £m	2017 Total £m	House- building £m	Commercial developments £m	2016 Total £m
Other information						
Capital additions	4.0	-	4.0	6.1	-	6.1
Depreciation	4.1	-	4.1	4.5	-	4.5

¹ During the year an amount of £8.8m (2016: £nil) was provided in respect of impairment costs associated with a legacy commercial asset. These costs have been disclosed as adjusted in the Income Statement.

In determining the sum provided it was necessary to estimate the cash flows associated with the asset, and to discount these at an appropriate rate. The discount rate was determined at 2.3% with reference to the Group's forecast average cost of debt.

Notes to the Financial Statements Year ended 30 June 2017 *continued*

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 joint ventures and associates and tax.

Lease charges – Operating lease rentals are charged to the Income Statement in equal instalments over the life of the lease.
Icon removed

Estimation of future income and costs to complete – In order to determine the profit that the Group is able to recognise on its developments in a specific period, the Group has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments and make estimates relating to future sales price margins on those developments and units. 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.

Profit from operations is stated after charging/(crediting):

	Notes	2017 £m	2016 £m
Staff costs	6.1	371.7	369.8
Depreciation of property, plant and equipment	4.5	4.1	4.5
R&D tax credit		(0.2)	–
Lease income	7.1.2	(0.8)	(0.9)
Operating lease charges:			
– hire of plant, machinery and vehicles		28.4	28.8
– other		20.3	18.8

Administrative expenses of £132.8m (2016: £132.0m) include sundry income of £46.6m (2016: £52.4m) which is disclosed within other revenue in note 2.1.

Profit from operations is stated after charging the Directors' emoluments disclosed in the Remuneration report on page 94 and in note 6.1.

The Group does not recognise income from supplier rebates until received from suppliers. During the year £28.5m (2016: £26.9m) of supplier rebate income was included within profit from operations.

The remuneration paid to Deloitte LLP, the Group's principal auditor, is disclosed below:

Auditor's remuneration	2017 £000	2016 £000
Fees payable to the Company's auditor for the audit of the Parent Company and Consolidated Financial Statements	95	70
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	254	270
Total audit fees	351	340
Audit-related assurance services ¹	25	50
Taxation compliance services	–	132
Other taxation advisory services ²	30	34
Other services ³	153	217
Total fees for other services	208	403
Total fees related to the Company and its subsidiaries	559	743

1 Audit-related assurance services comprise the review of the interim report.

2 Other taxation advisory services and other services comprise advice provided on land acquisitions and disposals and other transactions in the normal course of business.

Details of the Group's policy on the use of the Company's principal auditor for non-audit services, and auditor independence are set out in the Audit Committee report on pages 65 to 73.

No services were provided pursuant to 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 joint ventures in which the Group participates:

	2017 £000	2016 £000
The audit of the Group's joint ventures pursuant to legislation	140	140
Other services	5	8
Total fees related to joint ventures	145	148

2.4 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the parent company of £615.8m (2016: £550.3m) by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust which are treated as cancelled, which was 1,004.3m (2016: 998.7m) shares.

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the parent company of £615.8m (2016: £550.3m) by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive share options from the start of the year, giving a figure of 1,014.7m (2016: 1,013.0m) shares.

The earnings per share from continuing operations were as follows:

	2017 pence	2016 pence
Basic earnings per share	61.3	56.1
Diluted earnings per share	60.7	54.3

2.5 Dividends

Amounts recognised as distributions to equity shareholders in the year:

	2017 £m	2016 £m
Final dividend for the year ended 30 June 2016 of 12.3p (2015: 10.3p) per share	123.6	103.1
Special dividend for the year ended 30 June 2016 of 12.4p (2015: 10.0p) per share	124.7	100.0
Interim dividend for the year ended 30 June 2017 of 7.3p (2016: 6.0p) per share	73.4	60.1
Total dividends distributed to equity shareholders in the year	321.7	263.2

	2017 £m	2016 £m
Proposed final dividend for the year ended 30 June 2017 of 17.1p (2016: 12.3p) per share	172.2	123.3
Proposed special dividend for the year ended 30 June 2017 of 17.3p (2016: 12.4p) per share	175.0	125.0

The proposed final dividend and the special dividend are subject to approval by shareholders at the Annual General Meeting. The cost has been calculated based on the issued share capital at 30 June 2017 and has not been included as a liability at 30 June 2017.

2.6 Tax

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

The current year tax charge has been provided for at an effective rate of 19.75% (2016: 20.0%) and the closing deferred tax assets and liabilities have been provided in these Financial Statements at a rate of between 17.0% and 19.0% (2016: between 18.0% and 20.0%) of the temporary differences giving rise to these assets and liabilities, dependent upon when they are expected to reverse.

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Tax – The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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Deferred tax – Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantively enacted by the balance sheet date, and is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, 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.

Notes to the Financial Statements Year ended 30 June 2017 *continued*

2.6 Tax *continued*

2.6.1 Tax recognised in the Income Statement

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

Analysis of the tax charge for the year

	Notes	2017 £m	2016 £m
Current tax:			
UK corporation tax for the year		152.8	135.1
Adjustment in respect of previous years		0.5	(2.6)
		153.3	132.5
Deferred tax:			
Origination and reversal of temporary differences		3.11	(0.4)
Adjustment in respect of previous years		(0.4)	1.7
Impact of reduction in corporation tax rate		(0.7)	(1.8)
	2.6.3	(4.2)	(0.5)
Tax charge for the year		149.1	132.0

Factors affecting the tax charge for the year

The tax rate assessed for the year is lower (2016: lower) than the standard effective rate of corporation tax in the UK of 19.75% (2016: 20.0%). The differences are explained below:

	2017 £m	2016 £m
Profit before tax	765.1	682.3
Profit before tax multiplied by the standard rate of corporation tax of 19.75% (2016: 20.0%)	151.1	136.5
Effects of:		
Other items including non-deductible expenses	1.0	1.2
Additional tax relief for land remediation costs	(1.8)	(2.0)
Adjustment in respect of previous years	0.1	(0.9)
Adjustment for post-tax profits of certain joint ventures included in Group profit before tax	(0.6)	(1.0)
Impact of change in tax rate on deferred tax asset	(0.7)	(1.8)
Tax charge for the year	149.1	132.0

2.6.2 Tax recognised in equity

In addition to the amount charged to the Consolidated Income Statement, a net current and deferred tax charge of £2.0m (2016: £0.8m) was recognised directly in equity.

2.6 Tax continued

2.6.3 Deferred tax

All deferred tax relates to the United Kingdom and is stated on a net basis as the Group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

The Group recognised a net deferred tax liability with the following movements in the year:

Group	Pension scheme £m	Share options £m	Tax losses £m	Hedging £m	Accelerated capital allowances £m	Other (net) £m	Total £m
At 1 July 2015	(1.1)	14.5	0.1	3.6	(20.0)	1.2	0.5
Income Statement charge/credit	(0.5)	(0.5)	(0.1)	-	2.0	-	(0.4)
Amounts taken directly to equity	-	(8.5)	-	(1.2)	-	-	(10.1)
At 30 June 2016	(1.6)	5.5	-	2.4	(18.0)	1.2	(10.5)
Comprising:							
Deferred tax assets	-	5.5	-	2.4	-	1.2	1.9
Deferred tax liabilities	(1.6)	-	-	-	(18.0)	-	(19.9)
Year ended 30 June 2017:							
Income Statement charge/credit	(1.0)	(0.2)	0.1	-	1.0	(0.2)	4.5
Amounts taken directly to equity	-	0.7	-	(2.4)	-	-	(1.7)
At 30 June 2017	(2.6)	6.0	0.1	-	(17.0)	1.0	4.5
Comprising:							
Deferred tax assets	-	6.0	0.1	-	-	1.0	4.9
Deferred tax liabilities	(2.6)	-	-	-	(17.0)	-	(20.0)

The deferred tax liability in respect of brands represents the amount of tax that would become due if the brand was sold at its book value. There is no intention to sell the brand 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. Whilst it is anticipated that an element of the remaining deferred tax assets and liabilities will reverse during the 12 months following the balance sheet date, at present it is not possible to accurately quantify the value of all of these reversals.

In addition to the deferred tax liability shown above, the Group has not recognised a deferred tax asset of £2.0m (2016: £2.1m) in respect of capital and other losses amounting to £11.5m (2016: £11.6m) because these are not considered recoverable in the foreseeable future.

The Company recognised a net deferred tax asset with the following movements in the year.

Company	Pension scheme £m	Share options £m	Hedging £m	Accelerated capital allowances £m	Other £m	Total £m
At 1 July 2015	(1.1)	3.8	3.6	0.8	-	7.1
Income Statement charge	(0.5)	(0.4)	-	(0.3)	-	(1.2)
Amounts taken directly to equity	-	(2.2)	(1.2)	-	-	(3.4)
At 30 June 2016	(1.6)	1.2	2.4	0.5	-	2.5
Comprising:						
Deferred tax assets	-	1.2	2.4	0.5	-	4.1
Deferred tax liabilities	(1.6)	-	-	-	-	(1.6)
Year ended 30 June 2017:						
Income Statement charge/credit	(1.0)	(0.3)	-	-	0.5	(0.8)
Amounts taken directly to equity	-	0.2	(2.4)	-	-	(2.2)
At 30 June 2017	(2.6)	1.1	-	0.5	0.5	(0.5)
Comprising:						
Deferred tax assets	-	1.1	-	0.5	0.5	2.1
Deferred tax liabilities	(2.6)	-	-	-	-	(2.6)

Notes to the Financial Statements Year ended 30 June 2017 *continued*

Section

3

Working capital

3.1 Inventories

Icon removed

Inventories – Inventories are valued at the lower of cost and net realisable value. Cost of work in progress comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Land held for development, including land in the course of development, is initially recorded at discounted cost. Where, through deferred purchase credit terms, the carrying value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the Income Statement over the period of settlement.

Due to the scale of the Group's developments, the Group has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments. In making these assessments, there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

Icon removed

Carrying value of land and work in progress – 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 2017 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 within the Balance Sheet, the Group has impaired the land and work in progress value.

Carrying value of land and work in progress continued – During the year, due to performance variations, changes in assumptions and changes to viability on individual sites, there were gross impairment charges of £16.8m (2016: £11.0m) and gross impairment reversals of £3.3m (2016: £2.4m), resulting in a net impairment charge of £13.5m (2016: £8.6m) 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 estimation of future sales prices and costs to complete included zero net inflation (2016: zero net inflation for the first three years and then low single digit inflation thereafter). If the UK housing market were to change beyond management expectations in the future, in particular with regards to the assumptions around sales prices and estimated costs to complete, further adjustments to the carrying value of land and work in progress may be required. A 5% reduction in forecast average selling prices would result in additional impairment of inventories, however this would not be material.

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

	2017 £m	Group 2016 £m
Land held for development	2,095.6	2,890.2
Construction work in progress	1,509.1	1,386.3
Part-exchange properties and other inventories	70.7	60.1
	4,475.4	4,326.6

The Company has no inventories.

3.1.1 Nature of inventories

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

3.1.2 Expensed inventories

The value of inventories expensed in the year ended 30 June 2017 and included in cost of sales was £3,509.6m (2016: £3,233.7m).

Notes to the Financial Statements Year ended 30 June 2017 *continued*

3.3 Trade and other payables

Icon removed

Trade and other payables – Trade and other payables on normal terms are not interest bearing and are stated at amortised cost.

Trade and other payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate by discounting at prevailing market interest rates at the date of recognition. The discount to nominal value, which will be paid in settling the deferred purchase terms liability, is amortised over the period of the credit term and charged to finance costs using the effective interest rate method.

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Non-current liabilities				
Land payables	540.1	549.4	–	–
Other payables	34.8	80.5	0.2	0.2
	594.9	629.9	0.2	0.2
Current liabilities				
Trade payables	376.6	393.8	1.4	2.7
Land payables	503.9	537.4	–	–
Amounts due to subsidiary undertakings	–	–	508.7	108.4
Accruals and deferred income	450.8	409.2	20.3	25.4
Other tax and social security	12.7	12.5	–	–
Other payables	190.2	160.6	1.1	1.1
	1,534.2	1,513.5	531.5	137.6

Accruals and deferred income includes a £3.3m (2016: £3.3m) social security accrual relating to share-based payments (note 6.3). Other payables classified as current liabilities principally comprise payments received on account and payments relating to the acquisition of land in a non-wholly controlled subsidiary. Other payables classified as non-current liabilities at 30 June 2017 principally comprise payments and deposits received in advance.

The Group has £382.7m (2016: £351.3m) of payables secured by legal charges on certain assets and £61.9m (2016: £88.8m) 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 accounting

Icon removed

Contract accounting – Contracts are only treated as construction contracts when they have been specifically negotiated for the construction of a development or property.

Amounts recoverable on construction contracts are included in trade receivables and stated at cost plus attributable profit less any foreseeable losses. Payments received on account for construction contracts are deducted from amounts recoverable on construction contracts. Payments received in excess of amounts recoverable on construction contracts are included in trade payables.

In relation to contracts in progress at the balance sheet date:

	Group	
	2017 £m	2016 £m
Amounts due from contract customers included in trade and other receivables	2.8	7.3
Amounts due to contract customers included in trade and other payables	(1.7)	(3.5)
	1.1	3.8

For contracts in progress at the balance sheet date, contract costs incurred plus recognised profits less recognised losses to date amounted to £208.1m (2016: £199.5m).

At 30 June 2017, retentions held by customers for contract work on contracts in progress at the balance sheet date amounted to £2.1m (2016: £3.4m), of which £1.3m (2016: £1.7m) is due for settlement after 12 months. Advances received from customers for contract work on contracts in progress at the balance sheet date amounted to £nil (2016: £1.9m), of which £nil (2016: £1.9m) relates to work, which is not expected to be performed in the next 12 months.

3.5 Available for sale financial assets

Available for sale financial assets principally comprise interest free loans that were granted as part of sales transactions and for which the cash flows receivable are based on the value of the property at redemption. These loans are secured by way of a second legal charge on the respective property (after the first mortgage charge).

Icon removed

Available for sale financial assets – Available for sale financial assets are held at fair value calculated as the present value of expected future cash flows, taking into account the estimated market value of the property at the estimated time of repayment. Gains and losses arising from changes in fair value are recognised in equity within other comprehensive income. Gains and losses arising from impairment losses, changes in future cash flows and interest calculated using the effective interest rate method are recognised directly in the Income Statement.

For financial assets classified as available for sale, a significant or prolonged decline in the value of the property underpinning the value of the loan or increased risk of default are considered to be objective evidence of impairment. Increases in the fair value of available for sale assets previously subject to impairment, which can be objectively related to an event occurring after recognition of the impairment loss, are recognised in the Income Statement to the extent that they reverse the impairment loss.

	2017 £m	2016 £m
Secured loans		
At 1 July	4.6	107.0
Additions	–	0.6
Disposals (at cost)	(13.4)	(163.6)
Imputed interest	–	2.1
Other provision movements	2.7	58.0
Fair value adjustment taken through other comprehensive income	–	0.5
At 30 June	3.9	4.6
Balance at 30 June analysed as:		
Current	0.4	0.8
Non-current	3.5	3.8

During the prior year, on 5 February 2016, the Group disposed of the majority of its available for sale assets.

The fair value of the remaining portfolio has been calculated on a loan by loan basis using the present value of expected future cash flows of each loan.

Further disclosures relating to financial assets are set out in note 5.3.

Notes to the Financial Statements Year ended 30 June 2017 *continued*

Section



Business combinations and other investing activities

4.1 Business combinations

Icon removed

Consolidation – The financial statements of subsidiary undertakings are consolidated from the date when control passes to the Group using the purchase method of accounting and 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 post-acquisition 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 7.5.

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

At 30 June 2017 the following subsidiaries of the Group had non-controlling interests:

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

* Subject to UK corporation tax (see note 2.6).

Movement in non-controlling interest share of net assets recognised in the Consolidated Balance Sheet	Group	
	2017 £m	2016 £m
At 1 July	8.9	8.9
Share of profit for the year recognised in the Consolidated Income Statement	0.2	-
At 30 June	9.1	8.9

4.1 Business combinations continued

4.1.2 Non-controlling interests continued

Summarised financial information relating to these subsidiaries:

	SO Holdings Limited		The Tin Hat Regeneration Partnership LLP		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Income	-	-	10.0	7.8	10.0	7.8
Expenditure	(4.1)	(2.0)	(7.3)	(6.9)	(11.4)	(8.9)
Tax	0.8	0.4	-	-	0.8	0.4
Profit/(loss) for the year, being total comprehensive income/(expense) for the year	(3.3)	(1.6)	2.7	0.9	(0.6)	(0.7)
Profit/(loss) for the year attributable to the Group*	(0.4)	(1.4)	2.4	0.7	2.0	(0.7)
Profit/(loss) for the year attributable to the non-controlling interests*	(0.1)	(0.2)	0.3	0.2	0.2	-
Current assets	175.9	136.5	10.4	6.5	186.3	143.0
Current liabilities	(65.8)	(5.4)	(2.7)	(1.5)	(68.5)	(6.9)
Non-current liabilities	-	(20.3)	-	-	-	(20.3)
Net assets	110.1	110.8	7.7	5.0	117.8	115.8
Equity attributable to the Group	102.4	103.0	6.3	3.9	108.7	106.9
Non-controlling interests	7.7	7.8	1.4	1.1	9.1	8.9
Dividends paid to non-controlling interests	-	-	-	-	-	-
Net cash (outflow)/inflow from operating activities	(26.2)	(15.6)	9.1	(4.6)	(17.1)	(20.2)
Net cash inflow/(outflow) from financing activities	27.3	15.7	-	(7.3)	27.3	8.4
Net cash inflow/(outflow)	1.1	0.1	9.1	(11.9)	10.2	(11.8)

* Imputed interest on preference shares in SO Holdings Limited is eliminated on consolidation, reducing the share of losses included in the consolidated numbers.

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.

Notes to the Financial Statements Year ended 30 June 2017 *continued*

4.1 Business combinations *continued*

4.1.3 Company investments in subsidiary undertakings

Icon removed

Company investments – The Company's interests in subsidiary undertakings are accounted for at cost less any provision for impairment.

Where share-based payments are granted to the employees of subsidiary undertakings by the Company, they are treated as a capital contribution to the subsidiary and the Company's investment in the subsidiary is increased accordingly.

	Company	
	2017 £m	2016 £m
Cost		
At 1 July	3,179.3	3,177.0
Increase in investment in subsidiaries related to share-based payments	(1.7)	2.3
At 30 June	3,177.6	3,179.3
Impairment		
At 1 July and at 30 June	79.2	79.2
Net book value		
At 1 July	3,100.1	3,097.8
At 30 June	3,098.4	3,100.1

4.2 Goodwill and other intangible assets

4.2.1 Goodwill

Icon removed

Goodwill – Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the separately identifiable net assets and liabilities acquired. Goodwill arising on the acquisition of subsidiary undertakings and businesses is capitalised as an asset but reviewed for impairment at least annually [see note 4.2.3].

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination at acquisition being housebuilding and commercial developments. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in the Income Statement and is not subsequently reversed.

	Group £m
Cost	
At 1 July 2015, 30 June 2016 and 30 June 2017	816.7
Accumulated impairment losses	
At 1 July 2015, 30 June 2016 and 30 June 2017	24.5
Carrying amount	
At 30 June 2016 and 30 June 2017	792.2

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

4.2 Goodwill and other intangible assets *continued*

4.2.2 Other intangible assets – Brands

Icon removed

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).

	Group Brands £m
Cost	
At 1 July 2015, 30 June 2016 and 30 June 2017	107.0
Amortisation	
At 1 July 2015, 30 June 2016 and 30 June 2017	7.0
Carrying amount	
At 30 June 2016 and 30 June 2017	100.0

The Group does not amortise the housebuilding brand acquired with Wilson Bowden, being David Wilson Homes, valued at £100.0m, as the Directors consider that this brand has an indefinite useful economic life due to the fact that the Group intends to hold and support the brand for an indefinite period and there are no factors that would prevent it from doing so.

The brand of Wilson Bowden Developments (valued at £7.0m prior to amortisation) was being amortised over ten years as it is a business-to-business brand operating in niche markets. Following an impairment review at 30 June 2008, the Wilson Bowden Developments brand was fully impaired.

4.2.3 Impairment of goodwill and intangible assets

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

Icon removed

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

An impairment review was performed at 30 June 2017 and compared the value-in-use of the housebuilding segment with the carrying value of its tangible and intangible assets and allocated goodwill.

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

Notes to the Financial Statements Year ended 30 June 2017 *continued*

4.2 Goodwill and other intangible assets *continued*

4.2.3 Impairment of goodwill and intangible assets *continued*

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

- Discount rate: this is a pre-tax rate reflecting current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Accordingly, the rate of 14.5% (2016: 14.2%) is considered by the Directors to be the appropriate pre-tax risk adjusted discount rate, being the Group's estimated long term pre-tax weighted average cost of capital. The rate used in the 30 June 2017 impairment review is calculated using the average capital structure of the Group during the financial year, consistent with the prior year, due to the cyclical nature of the Group's borrowing requirements.

- Expected changes in selling prices for completed houses and the related impact upon operating margin: these are determined on a site-by-site basis for the first two years dependent upon local market conditions and product type. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.

- Sales volumes: these are determined on a site-by-site basis for the first two years dependent upon local market conditions, land availability and planning permissions. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.

- Expected changes in site costs to complete: these are determined on a site-by-site basis for the first two years dependent upon the expected costs of completing all aspects of each individual development. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.

The conclusion of this impairment review was that given the current position of the housebuilding segment and the expectations as to its future performance based upon current forecasts for sales volumes and expected changes in both selling prices and costs to complete, the housebuilding segment's goodwill and intangible assets were not impaired. The recoverable value of goodwill and intangible assets exceeded its carrying value by £1,720.8m (2016: £1,424.6m).

If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reduced each year by 4.8% (2016: 4.2%) per annum versus management expectations or the appropriate discount rate were to increase by 5.4% (2016: 4.5%) and all other variables were held constant, then the recoverable value of goodwill and intangible assets would equal its carrying value.

4.3 Investments in jointly controlled entities and associated entities

A jointly controlled entity (joint venture) 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 joint venture.

Jointly controlled entities – Joint ventures and associated entities are accounted for using the equity method of accounting.

Icon removed

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Joint ventures and associates				
At 1 July	255.9	200.0	23.1	25.6
Increase in amounts invested in joint ventures	54.9	33.6	-	-
Repayment of investments in joint ventures	(37.2)	(21.7)	(22.1)	(12.5)
Impairment of investments in joint ventures	(1.0)	-	(1.0)	-
Dividends received from joint ventures	(85.1)	(28.1)	-	-
Share of post-tax profit for the year from joint ventures	25.4	71.9	-	-
Share of post-tax profit for the year from associates	0.2	0.2	-	-
At 30 June	213.1	255.9	-	23.1

There are no losses in any of the Group's joint ventures or associates which have not been recognised by the Group.

4.3 Investments in jointly controlled entities and associated entities *continued*

4.3.1 Joint ventures

During the year, the Group entered into the following new joint venture arrangement: Harrow View LLP. At 30 June 2017 the Group has interests in the following jointly controlled entities:

Joint venture	Registered office	Percentage owned	Voting rights controlled	Country of registration	Principal place of business	Principal activity
51 College Road LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding
Aldgate Land One Limited ^a	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant
Aldgate Land Two Limited ^a	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant
Aldgate Place (GP) Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	General partner
Ale Street LLP	Barratt London, Lloyds Chambers, 1 Portoken Street, London, E1 8BT	50.0%	50.0%	England and Wales	UK	Housebuilding
Barratt Metropolitan LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding
Barratt Osborne Bexley LLP	Barratt House, 47-49 London Road, Reigate, Surrey, RH2 9YP	50.0%	50.0%	England and Wales	UK	Housebuilding
Barratt Osborne Worthing LLP	Fonteyn House, 47-49 London Road, Reigate, Surrey, RH2 9YP	50.0%	50.0%	England and Wales	UK	Housebuilding
Barratt Wates (East Grinstead) Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Holding company
Barratt Wates (East Grinstead) No 2 Limited ^a	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding
Barratt Wates (Horley) Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	78.5%	50.0%	England and Wales	UK	Housebuilding
Barratt Wates (Lindfield) Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding
Barratt Wates (Worthing) Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding
BDWZest Developments LLP ^a	Barratt London, Lloyds Chambers, 1 Portoken Street, London, E1 8BT	50.0%	50.0%	England and Wales	UK	Holding company
BDWZest LLP	Barratt London, Lloyds Chambers, 1 Portoken Street, London, E1 8BT	50.0%	50.0%	England and Wales	UK	Holding company
BK Scotswood LLP	Barratt House, City West Business Park, Scotswood Road, Newcastle upon Tyne, NE4 7DF	50.0%	50.0%	England and Wales	UK	Holding company
BLU LLP	Barratt London, Lloyds Chambers, 1 Portoken Street, London, E1 8BT	50.0%	50.0%	England and Wales	UK	Housebuilding
Brooklands Milton Keynes LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding
DWH/Wates (T)name) Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding
Enderby Wharf LLP	Central House, 32-34 High Street, London, E15 1PF	50.0%	50.0%	England and Wales	UK	Housebuilding
Fulham Wharf LLP ^a	Barratt London, Lloyds Chambers, 1 Portoken Street, London, E1 8BT	50.0%	50.0%	England and Wales	UK	Housebuilding
Fulham Wharf (One Limited) ^a	Barratt London, Lloyds Chambers, 1 Portoken Street, London, E1 8BT	50.0%	50.0%	England and Wales	UK	Dormant
Fulham Wharf Two Limited ^a	Barratt London, Lloyds Chambers, 1 Portoken Street, London, E1 8BT	50.0%	50.0%	England and Wales	UK	Dormant
Harrow View LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding
Infinity Park Derby LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Commercial development
Nine Elms LLP ^a	Barratt London, Lloyds Chambers, 1 Portoken Street, London, E1 8BT	50.0%	50.0%	England and Wales	UK	Housebuilding
Nine Elms One Limited ^a	Barratt London, Lloyds Chambers, 1 Portoken Street, London, E1 8BT	50.0%	50.0%	England and Wales	UK	Dormant
Nine Elms Two Limited ^a	Barratt London, Lloyds Chambers, 1 Portoken Street, London, E1 8BT	50.0%	50.0%	England and Wales	UK	Dormant

Notes to the Financial Statements Year ended 30 June 2017 *continued*

4.3 Investments in jointly controlled entities and associated entities *continued*

4.3.1 Joint ventures *continued*

Joint venture	Registered office	Percentage owned	Voting rights controlled	Country of registration	Principal place of business	Principal activity
Old Sarum Park Properties Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant
Queensland Road LLP	Barratt London, Lloyds Chambers, 1 Portsocken Street, London, E1 8BT	50.0%	50.0%	England and Wales	UK	Housebuilding
Ravenscraig Limited ¹	15 Atholl Crescent, Edinburgh, EH3 8HA	33.3%	33.3%	England and Wales	UK	Commercial development
Ravenscraig Town Centre LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant
Rose Shared Equity LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Investment entity
Sovereign BDW Hutton Close LLP	Woodlands, 90 Bartholomew Street, Newbury, West Berkshire, RG14 5EE	50.0%	50.0%	England and Wales	UK	Housebuilding
Sovereign BDW (Newbury) LLP	Woodlands, 90 Bartholomew Street, Newbury, West Berkshire, RG14 5EE	50.0%	50.0%	England and Wales	UK	Housebuilding
The Aldgate Place Limited Partnership	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding
ZestBDW LLP	Barratt London, Lloyds Chambers, 1 Portsocken Street, London, E1 8BT	50.0%	50.0%	England and Wales	UK	Holding company

Judgements applied in determining the classification of joint arrangements

¹ The Group holds one joint venture investment (Barratt Wales (Horley) Limited) not in equal share, and one (Ravenscraig Limited) with more than one other party. However, in both cases, the Group has equal voting rights and control over the activities of the companies with the other parties. In addition, the Group and the other parties to the agreements only have rights to the net assets of these companies through the terms of the contractual arrangements. These entities are therefore classified as joint ventures.

² The Group's interests in a number of the entities classified as joint ventures are held indirectly.

➤ Barratt Wales (East Grinstead) No. 2 Limited is a wholly owned subsidiary of the Group's joint venture, Barratt Wales (East Grinstead) Limited, and is therefore classified as a joint venture of the Group.

➤ Aldgate Land One Limited and Aldgate Land Two Limited are wholly owned subsidiaries of the Group's joint venture, Aldgate Place (GP) Limited, and are therefore classified as joint ventures of the Group.

➤ BDWZest Developments LLP, Alie Street LLP, Queensland Road LLP, Fulham Wharf LLP, and Nine Elms LLP, form a group of limited liability partnerships jointly owned (directly or indirectly) by BDWZest LLP and ZestBDW LLP, both of which are joint ventures of the Group. 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 joint ventures of the Group.

4.3 Investments in jointly controlled entities and associated entities continued

4.3.1 Joint ventures continued

Summarised financial information relating to these joint ventures is as follows:

	Harrow View LLP		Fulham Wharf LLP		Nine Elms LLP		Enderby Wharf LLP		Metropolitan LLP		Barratt Aldgate Place LP		Brooklands Millon Keynes LLP		Other joint ventures		Group Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income	-	-	53.2	58.8	122.8	89.3	51.9	146.7	28.9	84.6	57.3	95.8	67.2	77.1	84.2	103.1	465.5	655.4
Expenditure	(0.4)	-	(55.5)	(51.3)	(118.8)	(73.1)	(43.6)	(114.4)	(22.1)	(62.7)	(56.1)	(72.8)	(43.3)	(55.8)	(73.8)	(87.3)	(413.6)	(517.4)
	(0.4)	-	(2.3)	7.5	4.0	16.2	8.3	32.3	4.8	21.9	1.2	23.0	23.9	21.3	10.4	15.8	51.9	(38.0)
Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2.2)	(2.7)	(2.2)	(2.7)
Profit/(loss) for the year, being total comprehensive income/(expense)	(0.4)	-	(2.3)	7.5	4.0	16.2	8.3	32.3	6.8	21.9	1.2	23.0	23.9	21.3	8.2	13.1	49.7	(35.3)
Group share of profit/(loss) for the year recognised in the Consolidated Income Statement	(0.2)	-	(1.2)	3.8	2.0	8.1	4.2	16.2	5.1	16.4	0.6	11.5	11.9	10.7	3.0	5.2	25.4	(7.9)
Dividends received from joint ventures in the year	-	-	5.0	10.0	10.0	-	22.0	-	3.7	18.0	-	-	22.7	-	21.7	0.1	85.1	28.1
Current assets	86.4	-	141.8	142.0	193.2	220.8	57.1	116.9	50.6	47.9	77.4	93.4	28.3	35.3	102.9	124.8	737.7	791.1
Non-current assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15.7	61.9	15.7	61.9
Current liabilities	(37.3)	-	(12.5)	(39.4)	(71.7)	(101.9)	(15.9)	(40.0)	(44.1)	(39.6)	(14.2)	(40.4)	(17.6)	(3.0)	(39.6)	(33.8)	(252.9)	(298.1)
Non-current liabilities	(49.5)	-	(19.0)	(25.6)	(67.1)	(60.5)	(2.1)	-	-	(3.7)	(32.5)	(23.4)	-	-	(92.0)	(86.6)	(262.2)	(201.9)
Net assets/(liabilities) of joint ventures	(0.4)	-	110.3	77.0	54.4	68.4	39.1	74.8	4.5	4.6	30.7	29.6	10.7	32.3	(13.0)	66.3	238.3	353.0
Group share of net assets/(liabilities) recognised in the Consolidated Balance Sheet at 30 June	(0.2)	-	55.2	38.5	27.2	34.2	19.6	37.4	4.8	3.4	15.4	14.8	5.4	16.1	(3.7)	40.1	123.7	184.5

During the year, the Group and Company entered into a number of transactions with their joint ventures in respect of funding and development management services (with charges made based on the utilisation of these services) in addition to the provision of construction services. Further details on these transactions are provided in note 7.3. The Group and Company have a number of contingent liabilities relating to their joint ventures. Further details on these are provided in note 7.2.

The Group has made loans of £174.9m (2016: £84.9m) to its joint ventures, which are included within Group investments accounted for using the equity method. Included within the Group's share of net assets of joint ventures is a proportion of loans to the joint ventures calculated using the Group's ownership share of £172.5m (2016: £80.7m).

The transfer of funds from the Group's joint ventures to the Group is determined by the terms of the joint venture agreement, which specify how available funds should be applied in repaying loans and capital, and distributing profits to the partners. The joint venture agreement entered into in respect of Rose Shared Equity LLP provides for the return of the capital invested by our joint venture partner (the preferred capital) before any funds can be transferred to the Group.

As at 30 June 2016 all of the preferred capital had been repaid. BDWZest Developments LLP has an external loan arrangement, the covenants and terms of which restrict the transfer of funds from it and its subsidiaries (Alie Street LLP, Queensland Road LLP, Fulham Wharf LLP and Nine Elms LLP) which are guarantors, to the Group. The terms of these agreements are such that the members' capital invested must at least match the external loan balance, limiting repayments of capital to the Group.

A number of the Group's joint ventures prepare financial statements which are non-coterminous with the Group in order to comply with the terms of their joint venture agreements and to align with the year ends of our joint venture partners. Alie Street LLP, Fulham Wharf LLP, Queensland Road LLP, Nine Elms LLP, BDWZest Developments LLP, BDWZest LLP, ZestBDW LLP, 51 College Road LLP, Nine Elms One Limited, Nine Elms Two Limited, Fulham Wharf One Limited, Fulham Wharf Two Limited and Harrow View LLP prepare financial statements to 31 March. Barratt Osborne Bexley LLP prepares financial statements to 30 September and Barratt Osborne Worthing LLP and BLLO LLP prepare financial statements to 30 April. BK Scotswood LLP and Ravenscraig Limited prepare financial statements to 31 December. Management financial information is available for all joint ventures with non-coterminous year ends as at 30 June 2017 and 30 June 2016.

Notes to the Financial Statements Year ended 30 June 2017 *continued*

4.3 Investments in jointly controlled entities and associated entities *continued*

4.3.1 Joint ventures *continued*

The Company has an investment in one joint venture, Rose Shared Equity LLP.

Rose Shared Equity LLP held non-current available for sale financial assets comprising interest free loans secured by way of a second charge on the respective property. On 28 April 2017 the interest free loans were sold to funds managed by PPM Advisers for cash of £39.4m. The Group's investment in Rose Shared Equity LLP is accounted for using the equity method of accounting and was impaired by £1.0m following the sale of the LLP's assets.

Summarised financial information relating to Rose Shared Equity LLP is as follows:

	Company Total	
	2017 £m	2016 £m
Income	42.3	14.5
Expenditure	(40.1)	(10.7)
	3.2	3.8
Tax	-	-
Profit for the year, being total comprehensive income	3.2	3.8
Group share of profit for the year recognised in the Consolidated Income Statement	-	-
Dividends received from joint venture in the year	-	-
Current assets	0.1	1.1
Non-current assets	-	39.1
Current liabilities	-	(0.1)
Net assets of joint venture	0.1	40.1
Group share of net assets recognised in the Consolidated Balance Sheet at 30 June	-	23.1

4.3.2 Associated entities

The Group has significant interests in the following associated entity:

Associate	Percentage owned	Country of registration	Principal activity
New Tyne West Development Company LLP	25.0%	England and Wales	Housebuilding

New Tyne West Development Company LLP prepares financial statements to 31 December, which is non-coterminous with the Group, as agreed between the partners at the inception of the joint arrangement.

In relation to the Group's interests in associates, the Group's share of assets and liabilities of the associates is an asset of £0.5m at 30 June 2017 (2016: asset of £0.3m). The Group's share of the associate's profit during the year was £0.2m (2016: £0.2m).

The Group has made loans of £nil (2016: £nil) to its associate. Further details of transactions with associates are provided in note 7.3.

The Group has contingent liabilities relating to its associates. Further details on these are provided in note 7.2.

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.

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The Group enters into jointly controlled operations as part of its housebuilding and property development activities. The Company has no jointly controlled operations (2016: none). The Group has significant interests in the following jointly controlled operations

Joint operation	Share of profits and assets consolidated	Principal place of business	Principal activity
Barrier Park East	50.0%	UK	Housebuilding
Trenchard House	50.0%	UK	Housebuilding
Chapel Hill	50.0%*	UK	Housebuilding

* 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.

4.4 Jointly controlled operations *continued*

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 Consolidated Balance Sheet are shown below:

	Group	
	2017 £m	2016 £m
Group share of:		
Income	21.7	41.6
Expenses	(15.2)	(27.1)
Share of profit from joint operations	6.5	14.5
Group share of:		
Current assets	9.1	15.6
Non-current assets	0.1	0.2
Current liabilities	(1.9)	(11.1)
Share of net assets of joint operations	7.3	4.7

4.5 Property, plant and equipment

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Property, plant and equipment – Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write-off the cost of the assets on a straight-line basis to their residual value over their estimated useful lives. Residual values and asset lives are reviewed annually.

Freehold properties are depreciated on a straight-line basis over 25 years. Freehold land is not depreciated. Plant is depreciated on a straight-line basis over its expected useful life, which ranges from one to seven years.

	Group			Company		
	Property £m	Plant and equipment £m	Total £m	Property £m	Plant and equipment £m	Total £m
Cost						
At 1 July 2015	2.8	20.6	23.4	0.2	9.3	9.5
Additions	0.4	5.7	6.1	-	3.2	3.2
Transfers to other Group companies	-	-	-	-	(6.1)	(6.1)
Disposals	-	(0.2)	(0.2)	-	(0.2)	(0.2)
At 30 June 2016	3.2	26.1	29.3	0.2	12.2	12.4
Additions	0.4	3.6	4.0	-	2.2	2.2
Disposals	(0.1)	(0.2)	(0.3)	-	-	-
At 30 June 2017	3.5	29.5	33.0	0.2	14.4	14.6
Depreciation						
At 1 July 2015	2.7	12.5	15.2	0.2	5.5	5.7
Charge for the year	0.1	4.4	4.5	-	2.0	2.0
Transfers to other Group companies	-	-	-	-	(0.1)	(0.1)
At 30 June 2016	2.8	16.9	19.7	0.2	7.4	7.6
Charge for the year	0.1	4.0	4.1	-	2.1	2.1
Disposals	(0.1)	(0.2)	(0.3)	-	-	-
At 30 June 2017	2.8	20.7	23.5	0.2	9.5	9.7
Net book value						
At 30 June 2016	0.4	9.2	9.6	-	4.8	4.8
At 30 June 2017	0.7	8.8	9.5	-	4.9	4.9

Authorised future capital expenditure that was contracted but not provided for in these Financial Statements amounted to £0.3m (2016: £0.3m).

Notes to the Financial Statements Year ended 30 June 2017 *continued*

Section



Capital structure and financing

5.1 Net cash

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

Net cash at 30 June is shown below:

	Group		Company	
	2017	2016	2017	2016
	£m	£m	£m	£m
Cash and cash equivalents	794.4	758.0	703.8	729.0
Drawn debt	5.1			
Borrowings				
Term loans	-	(100.0)	-	(100.0)
Government loans	(21.4)	(27.0)	-	-
Private placement notes	(61.6)	(60.0)	(61.6)	(60.0)
Bank overdrafts	-	-	(59.3)	(42.7)
Prepaid fees	9.1	9.5	9.1	9.5
Total borrowings being total drawn debt	(73.9)	(177.5)	(111.8)	(193.2)
Derivative financial instruments				
Foreign exchange swaps	5.4	11.5	13.2	11.5
Net cash	723.7	592.0	605.2	547.3
Total borrowings at 30 June are analysed as:				
Non-current borrowings	(1.4)	(171.5)	-	(150.5)
Current borrowings	(72.5)	(6.0)	(111.8)	(42.7)
Total borrowings being drawn debt	(73.9)	(177.5)	(111.8)	(193.2)

Movement in net cash is analysed as follows:

	Group		Company	
	2017	2016	2017	2016
	£m	£m	£m	£m
Net increase/decrease in cash and cash equivalents	26.4	397.6	(25.2)	434.9
Net loan repayments/(drawdown) including foreign exchange loss	103.6	(1.0)	81.4	3.9
Foreign exchange gain on swaps	1.7	8.9	1.7	8.9
Movement in net cash in the year	131.7	405.5	57.9	447.7
Opening net cash	592.0	186.5	547.3	99.6
Closing net cash	723.7	592.0	605.2	547.3

5.1.1 Cash and cash equivalents

Cash and cash equivalents are held at floating interest rates linked to the UK bank rate, LIBOR and money market rates as applicable. Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less from inception and are subject to an insignificant risk of changes in value. Cash and cash equivalents are classified as 'loans and receivables'. Further disclosures relating to financial assets are set out in note 5.3.1.

5.1.2 Borrowings and facilities

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Loans and borrowings – Interest bearing loans and overdrafts are recorded at the proceeds received plus accrued interest applied to the account less any repayments made, net of direct issue costs.

Where bank agreements include a legal right of offset for in hand and overdraft balances, and the Group intends to settle the net outstanding position, the offset arrangements are applied to record the net position in the Balance Sheet.

5.1 Net cash continued

5.1.2 Borrowings and facilities continued

All debt (excluding Get Britain Building loans) is unsecured.

The principal features of the Group's debt facilities at 30 June 2017 and 30 June 2016 were as follows:

Facility	Amount drawn		Maturity
	30 June 2017	30 June 2016	
Committed facilities			
Revolving credit facility (RCF)	£700.0m	-	29 December 2021
Term loan	-	£100.0m	Repaid in full on 27 March 2017
Government loans*	£16.8m	£22.5m	Repayment due on 31 March 2018
Local government loan agreements	£4.6m	£4.6m	Repayments due between 31 March 2018 and 31 March 2020
	including £0.2m interest	including £0.1m interest	
Fixed rate US\$ private placement notes	\$80.0m	\$80.0m	23 August 2017

* Government loans comprise cash received for specific sites under the Government's 'Get Britain Building' scheme, which is repayable as described in the table above.

Amendments to the Group's facilities which have occurred since the balance sheet date are included in note 7.4.

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

Weighted average interest rates are disclosed in note 5.2.

5.2 Net finance costs

Finance costs and income – The Group recognises finance costs and income on bank borrowings and deposits and other borrowings in the Income Statement in the period to which they relate.

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Recognised in the Consolidated Income Statement:

	Notes	2017 £m	2016 £m
Finance income			
Finance income on short term bank deposits		10.71	10.71
Imputed interest on available for sale financial assets and interest free loans		-	12.91
Finance income related to employee benefits	6.22	10.41	16.41
Other interest receivable		(1.81)	11.91
		(2.91)	15.91
Finance costs			
Interest on loans and borrowings		12.01	14.11
Imputed interest on deferred term payables		32.51	34.21
Amounts reclassified to the Income Statement in respect of hedged cash flows	5A.3	10.21	11.11
Foreign exchange losses on US Dollar debt		1.71	8.91
Amortisation of facility fees		3.31	2.91
Other interest payable		2.91	4.81
		62.61	64.11
Net finance costs		59.71	58.21

Notes to the Financial Statements Year ended 30 June 2017 *continued*

5.2 Net finance costs *continued*

Recognised in equity:

	Notes	2017 £m	2016 £m
Amounts deferred in respect of effective cash flow hedges	5.4.3	(1.9)	(6.3)
Total fair value movement on cash flow swaps included in equity		(1.9)	(6.3)
Amounts reclassified to the Income Statement in respect of hedged cash flows	5.4.3	(10.2)	1.1
Total fair value movement on cash flow swaps transferred from equity		(10.2)	1.1

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

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Bank loans excluding swap interest	1.7	2.1	1.7	2.1
Net swap payment	5.4	5.2	5.4	5.2
Government loans	1.9	2.2	–	–
Term loans	4.4	4.7	4.4	4.7
Private placement notes	8.2	8.2	8.2	8.2

5.3 Financial instruments

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Recognition – Financial assets and financial liabilities are recognised on the Balance Sheet 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.

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Classification and measurement – Non-derivative financial assets are classified as either 'available for sale financial assets' or 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All non-derivative financial liabilities are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities consist of bank borrowings and trade and other payables.

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.

The fair value of available for sale assets is determined as described in note 3.5. The fair values of other non-derivative financial assets and liabilities are determined based on discounted cash flow analysis using current market rates for similar instruments. Other financial liabilities are subsequently measured at amortised cost using the 'effective interest rate' method.

All of the Group's interest rate and cross currency swaps are designated as cash flow hedges. Derivative financial instruments are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

5.3 Financial instruments *continued*

5.3.1 Financial assets

The carrying values and fair values of the Group and Company financial assets are as follows:

	Group				Company			
	Notes	Fair value £m	2017 Carrying value £m	Fair value £m	2016 Carrying value £m	Fair value £m	2017 Carrying value £m	2016 Carrying value £m
Designated as cash flow hedges								
Derivative financial instruments	5.4	13.2	13.2	11.8	11.8	13.2	13.2	11.8
Loans and receivables								
Cash and cash equivalents	5.1	784.4	784.4	758.0	758.0	703.8	703.8	729.0
Trade and other receivables*		149.8	149.8	106.9	106.9	0.1	0.1	0.7
Intercompany loans	3.2	-	-	-	-	75.8	75.8	75.9
Available for sale								
Non-current available for sale financial assets	3.5	3.5	3.5	3.8	3.8	-	-	-
Current available for sale financial assets	3.5	0.4	0.4	0.8	0.8	-	-	-
Total financial assets		951.3	951.3	881.3	881.3	792.9	792.9	817.4

* Trade and other receivables exclude accrued income, amounts recoverable on contracts, prepayments 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:

		Group				Company			
		Fair value £m	2017 Carrying value £m	Fair value £m	2016 Carrying value £m	Fair value £m	2016 Carrying value £m		
Designated as cash flow hedges									
Derivative financial instruments	5.4	5.8	5.8	13.1	13.1	5.8	5.8	13.1	13.1
Other financial liabilities									
Bank overdrafts	5.1	-	-	-	-	59.3	59.3	42.7	42.7
Trade and other payables*		1,831.7	1,828.7	1,883.2	1,870.2	20.6	20.6	16.7	16.7
Inter-company payables	3.3	-	-	-	-	508.7	508.7	108.4	108.4
Loans and borrowings	5.1	83.6	83.0	179.0	177.5	62.2	61.6	152.0	150.5
Total financial liabilities		1,921.1	1,917.5	2,075.3	2,060.8	656.6	656.0	332.9	331.4

* Trade and other payables excludes deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

Trade and other payables include land payables, which may bear interest on a contract specific basis, and items secured by legal charge as disclosed in note 3.3.

5.3.3 Financial assets and liabilities measured subsequent to initial recognition at fair value

The following tables provide an analysis of financial assets and financial liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers of liabilities between levels of the fair value hierarchy and no non-recurring fair value measurements.

Notes to the Financial Statements Year ended 30 June 2017 *continued*

5.3 Financial instruments *continued*

5.3.3 Financial assets and liabilities measured subsequent to initial recognition at fair value *continued*

Financial assets measured subsequent to initial recognition at fair value are as follows:

Group						
		2017			2016	
	Notes	Level 1 €m	Level 2 €m	Level 3 €m	Total €m	
Derivative instruments in designated hedge accounting relationships						
Derivative financial assets	5.4	-	13.2	-	13.2	- 11.8
Available for sale						
Non-current available for sale financial assets*	3.5	-	-	3.5	3.5	- 3.8
Current available for sale financial assets*	3.5	-	-	0.4	0.4	- 0.8
Total		-	13.2	3.9	17.1	- 11.8 4.6 16.4

	Company								
	Notes	Level 1	Level 2	Level 3	2017	2016			
		£m	£m	£m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative instruments in designated hedge accounting relationships									
Derivative financial assets	5.4	-	13.2	-	13.2	-	11.8	-	11.8
Total		-	13.2	-	13.2	-	11.8	-	11.8

* Further disclosures for available for sale assets are provided in note 3.5.

Financial liabilities measured subsequent to initial recognition at fair value are as follows:

	Group and Company							
	Notes	Level 1	Level 2	Level 3	2017	Level 1	Level 2	Level 3
		£m	£m	£m	Total £m			
Derivative instruments in designated hedge accounting relationships								
Derivative financial liabilities	5.4	-	5.8	-	5.8	-	13.1	-
Total	-	5.8	-	5.8	-	-	13.1	-

5.3.4 Financial instruments gains and losses

The net (gains)/losses recorded in the Consolidated Income Statement, in respect of financial instruments (excluding interest shown in note 5.2), were as follows:

	Notes	2017 £m	2016 £m
Loans and receivables			
Impairment of trade receivables	3.2	4.6	2.4
Available for sale financial assets			
Net profit transferred on sale		(2.6)	(5.6)
Net impairment of available for sale financial assets		-	7.7
Other financial liabilities			
Foreign exchange losses on US Dollar debt		1.7	8.9
Transfers from hedged items			
Transfer from equity on currency cash flow hedges	5.4.3	(1.7)	(8.9)

5.4 Derivative financial instruments – swaps

The Group has entered into derivative financial instruments in the form of interest rate swaps and cross currency swaps to manage the interest rate and foreign exchange rate risk arising from the Group's operations and sources of finance. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors as detailed in note 5.5. Neither the Group nor the Company enters into any derivatives for speculative purposes.

Icon removed

Derivative financial instruments – Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The interest rate and cross currency swap arrangements are designated as hedging instruments, being either hedges of a change in future cash flows as a result of interest rate movements or hedges of a change in future cash flows as a result of foreign currency exchange rate movements. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedged transactions. In addition, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting the changes in cash flows of the hedged items.

5.4 Derivative financial instruments – swaps *continued*

Derivative financial instruments continued – The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Hedge accounting – The Group has adopted hedge accounting for its swaps. If it ceases to be highly probable that there is sufficient forecast debt to match with the period of the interest rate swaps or if the cross currency hedges cease to be highly effective, any changes in fair value of the swaps would be recognised in the Consolidated Income Statement, rather than equity.

Icon removed

The Group includes foreign exchange swaps within net debt. These swaps were entered into to hedge the foreign exchange exposure upon the Group's US Dollar denominated private placement notes. The Group's foreign exchange swaps have both an interest rate and an exchange rate element and only the exchange rate element on the notional amount of the swap is included within the net cash note.

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

	Group and Company	
	2017	2016
	£m	£m
Designated as cash flow hedges:		
Foreign exchange swap – exchange rate element	13.2	11.5
Foreign exchange swap – interest rate element	–	0.3
Non-current asset	–	11.8
Current asset	13.2	–
Interest rate swaps – non-current liability	–	(7.5)
Interest rate swaps – current liability	(5.6)	(5.6)
Total liability	(5.6)	(13.1)
Net derivative financial instruments	7.4	(1.3)

5.4.1 Interest rate swaps

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

In previous years the Group and Company have entered into swap arrangements to swap £25.0m (2016: £137.0m) of floating rate debt into fixed rate Sterling debt in accordance with the Group and Company Treasury policy outlined in note 5.5. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

£m	Fixed rate payable %	2017 Maturity	£m	Fixed rate payable %	2016 Maturity
–	–	–	60.0	6.06	2017
–	–	–	19.5	6.18	2017
–	–	–	32.5	5.83	2017
25.0	5.64	2022*	25.0	5.61	2022
25.0			137.0		

* The £25.0m 2022 interest rate swap arrangement contains a clause allowing the Group and the Company or counterparty to cancel the swap on 22 August 2017 at fair value.

The Group has concluded that future floating rate borrowing is no longer expected to be highly probable. As a result, the Group intends to discontinue prospectively hedge accounting for the interest rate swap. As the transaction is no longer highly probable the loss previously recognised on the interest rate swap of £5.8m has been reclassified from equity to the Income Statement during the year ended 30 June 2017. This is included in the Statement of Consolidated Income within the £10.2m reclassified to the Income Statement in the year.

In addition, during the year ended 30 June 2017 hedging ineffectiveness of £0.7m (2016: £0.7m charge) was credited to the Consolidated Income Statement.

Further disclosures relating to financial instruments are set out in note 5.3.

5.4.2 Foreign exchange swaps

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

As at 30 June 2017, the Group and Company had outstanding fixed rate US Dollar loan notes of US\$80.0m (2016: US\$80.0m).

The Group and Company have entered into swap arrangements to swap all of this debt into fixed rate Sterling debt in accordance with the Group and Company Treasury policy outlined in note 5.5. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

US\$m	Fixed rate payable %	2017 Maturity	US\$m	Fixed rate payable %	2016 Maturity
80.0	8.14	2017	80.0	8.14	2017

There was no ineffectiveness to be taken through the Consolidated Income Statement during the year or the prior year. Further disclosures relating to financial instruments are set out in note 5.3.

Notes to the Financial Statements Year ended 30 June 2017 *continued*

5.4 Derivative financial instruments – swaps *continued*

5.4.3 Hedge accounting and hedging reserve

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Hedge accounting – To the extent that the Group's cash flow hedges are effective, gains and losses on the fair value of the interest rate and cross currency swap arrangements are deferred in equity in the hedging reserve until realised. On realisation, such gains and losses are recognised within finance charges in the Income Statement.

To the extent that any hedge is ineffective, gains and losses on the fair value of these swap arrangements are recognised immediately in finance charges in the Income Statement.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires, is sold or terminated or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

The hedging reserve represents the cumulative effective portion of deferred fair value gains or losses on derivative financial instruments that have been designated as cash flow hedges by the Group and Company, where the hedged cash flows are still expected to occur. As discussed in note 5.4.1 the cash flows hedged by the interest rate swap are no longer expected to occur and the resulting ineffectiveness has been transferred to the Income Statement in the year.

	Group and Company	
	2017	2016
	£m	£m
Transfers to hedging reserve:		
Gain/(loss) on interest rate swaps	0.5	(3.2)
Gain on foreign exchange swaps	1.4	9.5
Gain transferred to hedging reserve	5.2	6.3
Transfers from hedging reserve:		
Hedged interest cash flows	6.8	7.1
Illeged foreign currency cash flows	(11.7)	(8.9)
Ineffectiveness on interest rate swap transferred to Income Statement	5.1	0.7
Gain/(loss) transferred to Income Statement	5.2	10.2
		(1.1)

Movements on the hedging reserve in equity are detailed in the Statements of Changes in Shareholders' Equity.

5.5 Financial risk management

The Group's approach to risk management and the principal operational risks of the business are detailed on pages 40 to 44. The Group's financial assets, financial liabilities and derivative financial instruments are detailed in notes 5.3 and 5.4.

The Group's operations and financing arrangements expose it to a variety of financial risks of which the most material are: credit risk, foreign exchange risk, liquidity risk, interest rates and the availability of funding at reasonable margins. There is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management to ensure that liquidity risks are promptly identified and appropriate mitigating actions 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, in particular by using financial instruments, including debt and derivatives, to hedge interest rates and currency rates. The Group does not use derivative financial instruments for speculative purposes.

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

5.5.1 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 and May, and October and November of each year, due to seasonal trends in income. Accordingly, the Group maintains sufficient facility headroom to cover these requirements. On a normal operating basis, the Group has a policy of maintaining a minimum headroom of £150.0m. The Group identifies and takes appropriate actions based upon its regular, detailed system for the reporting and forecasting of cash flows from its operations. The Group's drawn debt, excluding fees, represented 11.3% (2016: 20.0%) of available committed facilities at 30 June 2017. In addition, the Group had £784.4m (2016: £758.0m) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2017. At the date of approval of the Financial Statements, the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future, being at least 12 months from the date of signing these Financial Statements.

One of the Group's objectives is to minimise refinancing risk. The Group therefore has a policy that the average maturity of its committed bank facilities and private placement notes is at least two years on average with a target of three years. At 30 June 2017, the average maturity of the Group's facilities was 4.1 years (2016: 3.0 years).

5.5 Financial risk management continued

5.5.1 Liquidity risk continued

The Group maintains certain committed floating rate facilities with banks to ensure sufficient liquidity for its operations. The undrawn committed facilities available to the Group, in respect of which all conditions precedent had been met, were as follows:

Expiry date	Group			Company	
	2017 £m	2016 £m	2017 £m	2016 £m	2016 £m
In more than one year but not more than two years	-	130.0	-	-	130.0
In more than two years but not more than five years	700.0	550.0	700.0	550.0	550.0
	700.0	700.0	700.0	700.0	700.0

In addition, the Group had £71.2m (2016: £71.2m) of undrawn uncommitted facilities available at 30 June 2017.

The expected undiscounted cash flows of the Group and Company financial liabilities, excluding derivative 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
2017							
Loans and borrowings (including bank overdrafts) ¹	5.32	83.0	127.3	82.8	12.3	32.2	-
Trade and other payables ²	5.32	1,828.7	1,887.5	1,260.0	287.4	320.6	19.5
		1,911.7	2,014.8	1,342.8	299.7	352.8	19.5
2016							
Loans and borrowings (including bank overdrafts) ¹	5.32	177.5	249.9	30.8	88.9	80.2	50.0
Trade and other payables ²	5.32	1,870.2	1,935.0	1,260.7	351.2	277.1	46.0
		2,047.7	2,184.9	1,291.5	440.1	357.3	96.0

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
2017							
Loans and borrowings ¹ (including bank overdrafts) ¹	5.32	120.9	164.8	121.9	12.3	30.6	-
Trade and other payables ²	5.32	20.6	20.6	20.6	-	-	-
Intercompany payables	5.32	508.7	508.7	508.7	-	-	-
		650.2	694.1	651.2	12.3	30.6	-
2016							
Loans and borrowings ¹ (including bank overdrafts) ¹	5.32	193.2	264.4	66.9	68.8	78.7	50.0
Trade and other payables ²	5.32	16.7	16.7	16.7	-	-	-
Intercompany payables	5.32	108.4	108.4	108.4	-	-	-
		318.3	389.5	192.0	68.8	78.7	50.0

¹ The disclosure of contractual cash flows in the preceding tables includes interest calculated on the basis that the Group's £700.0m revolving credit facility is fully drawn down. At 30 June 2017, none of this facility was drawn.

² Trade and other payables exclude deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

The expected undiscounted cash flows of the Group's and the Company's derivative financial instruments, by remaining contractual maturity at the balance sheet date were as follows:

Group and 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
2017							
Financial assets							
Gross settled derivatives							
Receive leg	5.4	13.2	63.8	63.8	-	-	-
Pay leg	-	-	(50.3)	(50.3)	-	-	-
Financial liabilities							
Net settled derivatives	5.4	(5.8)	(5.9)	(1.3)	(1.2)	(3.4)	-
	5.4	7.6	7.6	12.2	(1.2)	(3.4)	-
2016							
Financial assets							
Gross settled derivatives							
Receive leg	5.4	11.8	68.9	4.5	64.4	-	-
Pay leg	-	-	(56.2)	(3.9)	(52.3)	-	-
Financial liabilities							
Net settled derivatives	5.4	(13.1)	(19.7)	(7.3)	(7.6)	(3.7)	(1.1)
	5.4	(1.3)	(7.0)	(6.7)	4.5	(3.7)	(1.1)

Under the Group's International Swaps and Derivatives Association Master Agreement (ISDA), the interest rate swaps are settled on a net basis.

Notes to the Financial Statements Year ended 30 June 2017 *continued*

5.5 Financial risk management *continued*

5.5.2 Market risk (price risk)

5.5.2.1 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 fixed using both derivatives and fixed rate debt instruments. The Group's policy target is for 0-40% of average borrowings over the three-year plan period to be at fixed rates of interest.

Due to the seasonality of the Group's funding requirements, 111.7% (2016: 108.6%) of the Group's gross borrowings were fixed as at 30 June 2017 and the average over the three-year plan period has increased to 60.1% (2016: 42.4%) due to the issuance of a £200m fixed rate sterling USCP in August 2017 (see note 7.4).

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
2017				
Financial liabilities (excluding derivatives)	16.8	66.2	1,828.7	1,911.7
Impact of interest rate swaps	(25.0)	25.0	-	-
Financial liability exposure to interest rate risk	(8.2)	91.2	1,828.7	1,911.7
2016				
Financial liabilities (excluding derivatives)	112.8	64.7	1,870.2	2,047.7
Impact of interest rate swaps	(137.0)	137.0	-	-
Financial liability exposure to interest rate risk	(24.2)	201.7	1,870.2	2,047.7

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
2017				
Financial liabilities (excluding derivatives)	568.0	61.6	20.6	650.2
Impact of interest rate swaps	(25.0)	25.0	-	-
Financial liability exposure to interest rate risk	543.0	86.6	20.6	650.2
2016				
Financial liabilities (excluding derivatives)	133.5	59.6	16.7	209.8
Impact of interest rate swaps	(137.0)	137.0	-	-
Financial liability exposure to interest rate risk	(3.5)	196.6	16.7	209.8

Floating interest rates on Sterling borrowings are linked to the UK bank rate, LIBOR and money market rates. The floating rates are fixed in advance for periods generally ranging from one to six months. Short term flexibility is achieved through the use of overdraft, committed and uncommitted bank facilities. The weighted average interest rate for floating rate borrowings in 2017 was 3.7% (2016: 3.6%).

US Dollar denominated private placement notes of £61.6m (2016: £60.0m) were arranged at fixed interest rates and exposed the Group to fair value interest rate risk. The weighted average interest rate for fixed rate US Dollar denominated private placement notes, after the effect of foreign exchange rate swaps, for 2017 was 8.2% (2016: 8.2%) with, at 30 June 2017, a weighted average period of 0.2 years (2016: 1.2 years) for which the rate is fixed.

Sensitivity analysis:

In the year ended 30 June 2017, if UK interest rates had been 0.5% higher/lower (considered to be a reasonably possible change) and all other variables were held constant, the Group's pre-tax profit would increase/decrease by £0.9m (2016: £0.1m), the Group's post-tax profit would increase/decrease by £0.7m (2016: £nil) and the Group's equity would increase/decrease by £0.7m (2016: £nil).

5.5.2.2 Foreign exchange rate risk

As at 30 June 2017, the Group had fixed rate US Dollar denominated private placement notes of US\$80.0m (2016: US\$80.0m). In order to mitigate risks associated with the movement in the foreign exchange rate the Group has entered into foreign exchange swap arrangements all of which are designated as cash flow hedges, which fully hedge the principal of its US Dollar denominated debt and the US Dollar interest payments.

Details of the Group's foreign exchange swaps are provided in note 5.4.2.

5.5.3 Credit risk

In the majority of cases, the Group receives cash upon legal completion for private sales and receives advance stage payments from registered providers for affordable housing. Included within trade and other receivables is £64.1m (2016: £48.8m) due from the Homes and Communities Agency in respect of the Help to Buy scheme. Since this receivable is due from a UK Government agency, the Group considers that this receivable has an insignificant risk of default. Other than this, neither the Group nor the Company have a significant concentration of credit risk, as their exposure is spread over a large number of counterparties and customers.

5.5 Financial risk management *continued*

5.5.3 Credit risk *continued*

The Group manages credit risk in the following ways:

➤ The Group has a credit policy that is limited to financial institutions with high credit ratings, as set by international credit rating agencies, and has a policy determining the maximum permissible exposure to any single counterparty.

➤ The Group only contracts derivative financial instruments with counterparties with which the Group has an ISDA Master Agreement in place. These agreements permit net settlement, thereby reducing the Group's credit exposure to individual counterparties.

The maximum exposure to any counterparty at 30 June 2017 was £140.0m (2016: £144.4m) 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 2017, the Company was exposed to £75.8m (2016: £75.9m) of credit risk in relation to intercompany loans, as well as financial guarantees, performance bonds and the bank borrowings of subsidiary undertakings. Further details are provided in notes 7.2 and 7.3.

5.5.4 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 whilst maintaining an appropriate capital structure.

The Group manages its share capital as equity, as set out in the Statement of Changes in Shareholders' Equity, and its bank borrowings (being overdrafts, loan notes and bank loans) and its private placement notes as other financial liabilities, as set out in note 5.3.2.

The Group is subject to the prevailing conditions of the UK economy and the quantum of the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. The Group's approach to the management of the principal operational risks of the business are detailed on pages 40 to 44.

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

5.6 Share capital

Equity instruments – Ordinary share capital is recorded at the proceeds received, net of direct issue costs and is classified as equity.

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5.6.1 Ordinary share capital

Allotted and issued ordinary shares:		2017 £m	2016 £m
10p each fully paid - 1,007,899,274 ordinary shares (2016: 1,003,607,066)		100.8	100.4
Options over the Company's shares granted during the year		2017 number	2016 number
Options granted:			
LTPP		2,594,923	1,880,862
Sharesave		2,671,967	1,782,338
CFO Scheme		-	121,880
DBP		520,442	305,468
		5,787,332	4,090,548
Allotment of shares during the year		2017 number	2016 number
At 1 July		1,003,607,066	995,652,663
Issued to satisfy early exercises under Sharesave schemes		115,153	106,614
Issued to satisfy exercises under matured Sharesave schemes		1,297,729	1,968,683
Issued to satisfy vesting of LTPP awards		2,126,790	4,620,159
Issued to satisfy exercises under the DBP		712,296	1,458,947
Issued to the EBT to satisfy future exercises		40,240	-
At 30 June		1,007,899,274	1,003,607,066

Notes to the Financial Statements Year ended 30 June 2017 *continued*

5.6 Share capital *continued*

5.6.2 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 Barratt Developments Employee Benefit Trust on behalf of the Company in order to satisfy options and awards that have been granted under the Barratt Developments PLC Executive, CFO and Senior Management Share Option Plans, the LTIP and the DBP. These ordinary shares do not rank for dividend and do not count in the calculation of the weighted average number of shares used to calculate earnings per share until such time as they are vested to the relevant employee.

	2017	2016
Ordinary shares in the Company held in the EBT (number)	1,170,233	1,367,707
Market value of shares held in the EBT at 56.35p (2016: 405.4p) per share	£6,594,263	£5,544,684

During the year the EBT purchased 664,653 shares in the market and disposed of 902,367 shares in settlement of exercises under the Senior Management Share Option Plan 2009/10, the SMIS and the CFO Scheme. A further 2,879,326 shares were issued to the EBT at par, of which 2,839,086 were used to satisfy the vesting of the 2013 LTIP and the 2013 DBP.

Section

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 of the Remuneration report on pages 76 to 105.

A summary of key management remuneration is as follows:

	2017 £m	2016 £m
Salaries and fees (including pension compensation)	2.5	2.7
Social security costs ¹	1.2	1.2
Performance bonus	1.8	2.2
Benefits	0.1	0.1
Share-based payments ²	1.5	3.4
	7.1	9.6

¹ Excluded from the Executive Directors and Non-Executive Director's single figure of remuneration tables on page 94.

² IFRS 2 'Share-Based Payment' charge attributable to key management.

6.1 Key management and employees *continued*

Total staff numbers and costs are as follows:

	Group		Company	
	2017 Number	2016 Number	2017 £m	2016 £m
Average staff numbers (excluding sub-contractors, including Directors):				
Housebuilding	6,191	6,106		
Commercial developments	23	25		
Staff costs (including Directors):				
Wages and salaries including bonuses			313.3	306.6
Redundancy costs			0.6	1.1
Social security costs			40.5	40.9
Other pension costs			8.2	8.4
Share-based payments			9.1	12.8
Total staff costs			371.7	369.8

Staff costs for the Company in both years are stated after the recharge of staff to other Group companies.

6.2 Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

Defined contribution schemes – The Group's contributions to the schemes are charged in the Income Statement in the year in which the contributions fall due.

Icon removed

Icon removed

Defined benefit scheme – The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the Statements of Comprehensive Income. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as reduced by the fair value of the scheme assets.

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

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out in note 6.2.2.

Notes to the Financial Statements Year ended 30 June 2017 *continued*

6.2 Retirement benefit obligations *continued*

6.2.1 Defined contribution schemes

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

	2017 €m	2016 €m
Contributions during the year	8.2	8.4
Group defined contribution schemes Consolidated Income Statement charge		

At the balance sheet date, there were outstanding contributions of €0.9m (2016: €0.6m), which were paid on or before the due date.

6.2.2 Defined benefit scheme

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

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

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

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

At the balance sheet date, there were outstanding contributions of €2.0m (2016: €0.8m).

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

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

6.2 Retirement benefit obligations *continued*

6.2.2 Defined benefit scheme *continued*

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

Principal actuarial assumptions		2017	2016
Weighted average assumptions to determine benefit obligations			
Discount rate		2.60%	2.90%
Rate of price inflation		3.21%	2.80%
Weighted average assumptions to determine net cost			
Discount rate		2.90%	3.80%
Rate of price inflation		2.80%	3.30%

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

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

Assumptions	Male	Female
Retired member born in 1952 (life expectancy at age 65)	23.3 years	25.2 years
Non-retired member born in 1972 (life expectancy at age 65)	24.8 years	26.7 years

The base mortality assumptions are based upon the S2PA (2016; S1NA) mortality tables with an adjustment to allow for the Scheme members being treated as if they are 1.5 years younger than the population of the S2PA mortality tables. Allowance for future increases in life expectancy is made in line with the CMI 2016 projections with a long term trend of 1.25% per annum (2016; CMI 2015 projection with a long term trend of 1.25% per annum).

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

Assumptions	Change in assumption	£m	Increase in Scheme liabilities %
Discount rate	Decrease by 0.1%	8.0	2.0
Rate of inflation	Increase by 0.1%	4.3	1.1
Life expectancy	Increase by 1 year	16.2	4.1

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

	2017 £m	2016 £m
Interest cost	11.1	13.6
Interest income	(11.5)	(14.0)
Total pension income recognised in net finance costs in the Consolidated Income Statement	(0.4)	(0.4)
Total pension income recognised in the Consolidated Income Statement	(0.4)	(0.4)

The amounts recognised in the Group and Company Statements of Comprehensive Income were as follows:

	2017 £m	2016 £m
Expected return less actual return on Scheme assets	(20.1)	(34.9)
Loss arising from changes in the assumptions underlying the present value of benefit obligations	24.5	43.9
Total pension cost recognised in the Group and Company Statements of Comprehensive Income	4.4	9.0

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

	2017 £m	2016 £m
Present value of funded obligations	397.2	405.4
Fair value of Scheme assets	(410.8)	(413.5)
Surplus for funded Scheme/net asset recognised in the Group and Company Balance Sheets at 30 June	(13.6)	(8.1)

	2017 £m	2016 £m
Net asset for defined benefit obligations at 1 July	(8.1)	(5.3)
Contributions paid to the Scheme	(9.5)	(11.4)
Income recognised in the Consolidated Income Statement (note 5.2)	(0.4)	(0.4)
Amounts recognised in the Group and Company Statements of Comprehensive Income	4.4	9.0
Net asset for defined benefit obligations at 30 June	(13.6)	(8.1)

A deferred tax liability of £2.6m (2016: £1.6m) has been recognised in the Group and Company Balance Sheets in relation to the pension asset (note 2.6.3).

Notes to the Financial Statements Year ended 30 June 2017 *continued*

6.2 Retirement benefit obligations *continued*

6.2.2 Defined benefit scheme *continued*

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

	2017 £m	2016 £m
Present value of benefit obligations at 1 July	405.4	367.5
Interest cost	11.1	13.6
Actuarial loss	24.5	43.9
Benefits paid from Scheme	(43.8)	(19.6)
Present value of benefit obligations at 30 June	397.2	405.4

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

	2017 £m	2016 £m
Fair value of Scheme assets at 1 July	413.5	372.8
Interest income	11.5	14.0
Actuarial gain on Scheme assets	20.1	34.9
Employer contributions	9.5	11.4
Benefits paid from Scheme	(43.8)	(19.6)
Fair value of Scheme assets at 30 June	410.8	413.5

The analysis of Scheme assets was as follows:

	£m	2017 %	£m	2016 %
Quoted equity securities	102.4	24.9	96.3	23.3
Debt securities	307.1	74.8	315.8	76.4
Other	1.3	0.3	1.4	0.3
Total	410.8	100.0	413.5	100.0

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

The actual return on Scheme assets was as follows:

	2017 £m	2016 £m
Actual return on Scheme assets	31.6	48.9

The expected employer contribution to the Scheme in the year ending 30 June 2018 is £15.3m.

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

6.3 Share-based payments

The Group issues equity-settled share-based payments to certain employees.

Share-based payments – In accordance with the transitional provisions, IFRS 2 'Share-based Payments' has been applied to all grants of equity instruments after 7 November 2002 that had not vested at 1 January 2005.

Icon removed

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:

	2017 £m	2016 £m
Equity-settled share-based payments:		
Long Term Performance Plan	4.1	7.2
Savings-Related Share Option Scheme	1.7	2.1
Senior Management Incentive Scheme	2.0	1.2
CFO Scheme	(0.2)	0.2
Deferred Bonus Plan	1.5	2.1
	9.1	12.8

As at 30 June 2017, an accrual of £3.3m (2016: £3.3m) 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.

6.3 Share-based payments *continued*

6.3.2 Outstanding equity-settled share-based payments

At 30 June 2017, the following options were outstanding:

Date of grant	Option price pence	2017 Number	Not exercisable after
Executive Share Option Scheme			
10 December 2009 (approved) ¹	118	8,350	9 December 2019
10 December 2009 (unapproved) ¹	121	208,056	9 December 2019
Total Executive Share Option Scheme options		216,406	
Senior Management Share Option Plan			
10 December 2009 (approved) ¹	118	162,623	9 December 2019
10 December 2009 (unapproved) ¹	121	62,382	9 December 2019
Total Senior Management Share Option Plan options		225,005	
Savings-Related Share Option Scheme			
28 March 2012 – 5 year plan	125	349,440	30 November 2017
27 March 2013 – 5 year plan	205	237,945	30 November 2018
30 April 2014 – 3 year plan	349	2,081,011	31 December 2017
30 April 2014 – 5 year plan	349	309,132	31 December 2019
29 April 2015 – 3 year plan	447	1,693,992	31 December 2018
29 April 2015 – 5 year plan	447	179,087	31 December 2020
27 April 2016 – 3 year plan	482	1,322,256	31 December 2019
27 April 2016 – 5 year plan	482	116,470	31 December 2021
24 April 2017 – 3 year plan	464	2,392,163	31 December 2020
24 April 2017 – 5 year plan	464	266,618	31 December 2022
Total Savings-Related Share Option Scheme options		8,948,114	

Date of grant	Option price pence	2017 Number	Not exercisable after
Long Term Performance Plan			
20 October 2014 – Executive	-	1,711,888	-
19 October 2015 – Executive	-	930,118	-
14 December 2016 – Executive	-	1,404,671	-
19 October 2015 – Senior Management	-	591,861	-
14 December 2016 – Senior Management	-	971,006	-
Total Long Term Performance Plan awards		5,609,544	
Deferred Bonus Plan²			
9 October 2014	-	516,187	-
19 October 2015	-	242,089	-
17 October 2016	-	466,638	-
Total Deferred Bonus Plan awards		1,224,914	
Senior Management Incentive Scheme			
20 October 2014	-	533,473	-
Total Senior Management Incentive Scheme awards		533,473	
Total		16,757,456	

¹ The Executive Share Option Scheme and the Senior Management Share Option Plan are divided into two sub-schemes, one of which is approved under the Income Tax (Earnings and Pensions) Act 2003 and the other which is not, and the exercise price is calculated differently for each sub-scheme in accordance with the rules of the sub-scheme.

² For awards prior to November 2015, the Deferred Bonus Plan utilises the rules of the Group's Co-Investment Plan. For more information see page 83.

Notes to the Financial Statements Year ended 30 June 2017 *continued*

6.3 Share-based payments *continued*

6.3.3 Further information relating to the share-based payment schemes

Long Term Performance Plan and the Executive Share Option Scheme

The grant of awards under the LTPP and options under the ESOS are at the discretion of the Remuneration Committee taking into account individual performance and overall performance of the Group. Vesting under these schemes is dependent upon performance conditions based on total shareholder return, earnings per share and, for recent LTPP awards, return on capital employed. Further details can be found in the Remuneration report on pages 92 to 105.

Deferred Bonus Plan

For any bonus deferred prior to November 2015, the Remuneration Committee utilised the rules of the Group's Co-Investment Plan ('CIP') for the purposes of the DBP. From FY16, 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. Pending the adoption of the new remuneration policy to be put to shareholders at the 2017 AGM, the Remuneration Committee has the discretion to award matching shares against the deferred shares; however, no matching shares have been awarded to date. Matching share awards will no longer be available following approval of the new remuneration policy. Further details can be found on page 83.

Savings-Related Share Option Scheme

Under the Sharesave, participants are required to make monthly contributions to a HM Revenue and Customs ('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.

Senior Management Share Option Plan

The Board approved the grant of share options to employees under the SMSOP, which are normally exercisable between three and ten years from the date of grant, provided the employee remains employed by the Group. The 2009/10 SMSOP vested on 10 December 2012. Individuals who participate in the SMSOP are not eligible to participate in the LTPP or ESOS; therefore Executive Directors do not participate in the SMSOP. There is currently no intention to make any further grants under the SMSOP.

Senior Management Incentive Scheme

Awards under the SMS is at the discretion of the Chief Executive (or in his absence, the Chairman of the Board). Any awards under the SMS must be held for a minimum of three years from the date of grant. Executive Directors and those individuals directly below this level are not eligible to participate in the SMS. Any award granted under the SMS is subject to performance conditions as set for the LTPP, excluding the total shareholder return condition, granted in the same financial year.

CF0 Scheme

The Company granted to Neil Cooper awards on joining the Company which were designed in quantum to compensate for awards which were forfeited by him on leaving his previous employment. They were structured to approximately mirror the vesting timescales and performance conditions of the Company's LTPP awards made in 2013 and 2014, so his incentives were aligned with those of other Executives. Further details of how Neil Cooper's awards were treated following his resignation from the Group can be found in the Remuneration report on pages 92 to 105.

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:

	2017		2016	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
Long Term Performance Plan				
Outstanding at 1 July	-	6,050,239	-	9,203,809
Forfeited during the year	-	(908,828)	-	(414,273)
Exercised during the year	-	(12,126,790)	-	(4,620,159)
Granted during the year	-	2,594,923	-	1,880,862
Outstanding at 30 June	-	5,609,544	-	6,050,239
Exercisable at 30 June	-	-	-	-
Executive Share Option Scheme				
Outstanding at 1 July	121	451,482	121	451,482
Exercised during the year	121	(235,076)	-	-
Outstanding at 30 June	121	216,406	121	451,482
Exercisable at 30 June	121	216,406	121	451,482

6.3 Share-based payments *continued*

6.3.4 Number and weighted average exercise price of outstanding share-based payments *continued*

	2017		2016	
	Weighted average exercise price in pence	Number of options	Weighted average exercise price in pence	Number of options
Senior Management Share Option Plan				
Outstanding at 1 July	119	358,930	119	583,639
Forfeited during the year	118	(5,515)	-	-
Exercised during the year	118	(128,410)	119	(224,709)
Outstanding at 30 June	119	225,005	119	358,930
Exercisable at 30 June	119	225,005	119	358,930

	2017		2016	
	Weighted average exercise price in pence	Number of options	Weighted average exercise price in pence	Number of options
Savings-Related Share Option Scheme				
Outstanding at 1 July	355	8,673,281	294	9,772,530
Forfeited during the year	409	(982,493)	358	(804,290)
Exercised during the year	158	(1,414,441)	177	(2,075,297)
Granted during the year	444	2,671,967	482	1,782,338
Outstanding at 30 June	412	8,948,114	355	8,673,281
Exercisable at 30 June	125	349,440	205	420,188

	2017		2016	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
Deferred Bonus Plan				
Outstanding at 1 July	-	1,630,416	-	2,844,708
Forfeited during the year	-	(213,648)	-	(62,572)
Exercised during the year	-	(712,296)	-	(1,457,188)
Granted during the year	-	520,442	-	305,468
Outstanding at 30 June	-	1,224,914	-	1,630,416
Exercisable at 30 June	-	-	-	-

	2017		2016	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
Senior Management Incentive Scheme				
Outstanding at 1 July	-	1,099,149	-	1,672,540
Forfeited during the year	-	(21,953)	-	(14,181)
Exercised during the year	-	(543,723)	-	(431,573)
Granted during the year	-	-	-	-
Outstanding at 30 June	-	533,473	-	1,099,149
Exercisable at 30 June	-	-	-	-

	2017		2016	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
CEO Scheme				
Outstanding at 1 July	10	121,880	-	-
Forfeited during the year	10	(76,175)	-	-
Exercised during the year	10	(45,705)	-	-
Granted during the year	-	-	10	121,880
Outstanding at 30 June	-	-	10	121,880
Exercisable at 30 June	-	-	-	-

The weighted average share price, at the date of exercise, of share options exercised during the year was 502.1p (2016: 607.6p). The weighted average life for all schemes outstanding at the end of the year was 1.5 years (2016: 1.8 years).

6.3.5 Fair value of options and awards granted in the year

Savings-Related Share Option Scheme

The weighted average fair value of the options granted during 2017 was 126.4p (2016: 106.7p) per award. The awards have been valued using a Black-Scholes model.

Long Term Performance Plan

The weighted average fair value of the options granted during 2017 was 372.3p (2016: 538.9p). The awards have been valued using a Black-Scholes model for the earnings per share element of the scheme and a Monte Carlo model for the total shareholder return element of the scheme.

Notes to the Financial Statements Year ended 30 June 2017 *continued*

6.3 Share-based payments *continued*

6.3.5 Fair value of options and awards granted in the year *continued*

Deferred Bonus Plan

The weighted average fair value of the options granted during 2017 was 384.0p (2016: 540.2p) per award. The awards have been valued using a Black-Scholes model.

Inputs used to determine fair value of options

The weighted average inputs to the Black-Scholes and Monte Carlo models were as follows:

	Grants 2017			Grants 2016			
	Shareave	LTPP	DBP	Shareave	LTPP	CFO	DBP
Average share price	588p	455p	467p	544p	630p	605p	632p
Average exercise price	444p	nil	nil	482p	nil	10p	nil
Expected volatility	36.4%	36.4%	36.4%	33.5%	33.5%	33.5%	33.5%
Expected life	3.0 years	3.0 years	3.0 years	3.0 years	3.0 years	1.4 years	3.0 years
Risk free interest rate	0.11%	0.10%	0.17%	1.10%	1.09%	1.09%	1.09%
Expected dividends	6.59%	6.59%	6.59%	5.17%	5.17%	5.17%	5.17%

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.

Section

7

Commitments, contingencies, related parties
and post balance sheet events

7.1 Operating lease obligations

7.1.1 The Group as lessee

At 30 June 2017, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings £m	2017 Other £m	Land and buildings £m	2016 Other £m
Within one year	16.9	6.7	16.4	7.1
More than one year and no later than five years	27.3	6.4	23.2	7.5
In five years or more	30.2	-	27.4	-
	74.4	13.1	67.0	14.6

Operating lease payments represent rentals payable by the Group for certain office properties and motor vehicles. Motor vehicle leases have an average term of 1.8 years (2016: 1.8 years) to expiry. Property leases have an average term of 3.5 years (2016: 3.2 years) to expiry.

At 30 June 2017, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings £m	2017 Other £m	Land and buildings £m	2016 Other £m
Within one year	0.1	0.5	0.6	0.7
More than one year and no later than five years	-	0.4	0.1	0.9
	0.1	0.9	0.7	1.6

Operating lease payments represent rentals payable by the Company for certain office properties and motor vehicles. Motor vehicle leases have an average term of 2.1 years (2016: 1.6 years) to expiry. Property leases have an average term of 0.5 years (2016: 1.2 years) to expiry.

7.1 Operating lease obligations *continued*

7.1.2 The Group as lessor

The Group has lease agreements with third parties for certain commercial properties, either in the process of development or which have been developed by the Group, and units on land to be subsequently developed for residential use. It is intended that the commercial properties, with their future rental income, will be sold to third parties in the normal course of business, and therefore they are classified as work in progress until the date of sale.

	Note	2017 £m	Group 2016 £m
Property rental income	2.3	0.8	0.9
Carrying value of leased properties:			
Stock properties		4.0	4.0
Land with rental units		0.3	0.7
Rent receivable during remaining lease period:		4.3	4.7
Within one year		1.3	0.6
More than one year and no later than five years		0.9	0.6
In five years or more		1.7	–
		3.9	1.2
		2017 Years	2016 Years
Average lease term		6.7	1.9
Stock properties		0.8	1.0
Land with rental units			

7.2 Contingent liabilities

7.2.1 Contingent liabilities related to subsidiaries

The Company has guaranteed certain bank borrowings of its subsidiary undertakings.

Certain subsidiary undertakings have commitments for the purchase of trading stock entered into in the normal course of business.

In the normal course of business, the Group has given counter-indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £464.1m (2016: £482.0m), and confirm that at the date of these Financial Statements the possibility of cash outflow is considered minimal and no provision is required.

As previously disclosed in the Group's financial statements following correspondence with an industry wide final salary pension scheme, there is a risk of an obligation arising in respect of pension scheme funding pursuant to Section 75 of the Pensions Act 1995 for employees of a subsidiary who left the Group following disposal of its business and assets. The Directors consider that whilst it is increasingly probable that a liability could result in the future, at present the amount of any such provision cannot be reliably estimated given the fundamental uncertainties underlying any such calculation. No provision has been recognised in relation to this matter as at 30 June 2017.

The Group is currently engaging with legal and professional advisors in its efforts to understand the position of the Trustees and how they might reach a reliable estimate of any potential liability. The Court determination scheduled to take place in late spring was deferred by the Trustees following advice from a Scottish QC. It still remains difficult to predict how long the Trustees will take to calculate any liability and when the debt notices will be served. At this point the Group will be able to re-consider its options in respect of any obligation arising in this matter. Therefore disclosure on this matter is made in accordance with note 7.2.3.

7.2.2 Contingent liabilities related to joint ventures and associates

The Group has given counter-indemnities in respect of performance bonds and financial guarantees to its joint ventures totalling £62.5m at 30 June 2017 (2016: £56.5m). The Group has also provided principal guarantees of £9.0m (2016: £9.0m) and cost and interest overrun guarantees in relation to the borrowings of a number of the Group's London joint ventures. At 30 June 2017, no cost or interest overruns had been incurred (2016: £nil). The Group's maximum exposure under these cost and interest overrun guarantees is estimated at £18.1m as at 30 June 2017 (2016: £17.7m).

At 30 June 2017, the Group has an obligation to repay £0.9m (2016: £0.9m) of grant monies received by a joint venture upon certain future disposals of land.

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

There are no contingent liabilities in relation to associates at 30 June 2017.

Notes to the Financial Statements Year ended 30 June 2017 *continued*

7.2 Contingent liabilities *continued*

7.2.3 Contingent liabilities related to legal claims

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

No contingent liability in respect of such claims has been recognised.

7.3 Related party transactions

7.3.1 Remuneration of key personnel

Disclosures related to the remuneration of key personnel as defined in IAS 24 'Related Party Disclosures' are given in note 6.1. There is no difference between transactions with key management personnel of the Company and the Group.

7.3.2 Transactions between the Company and its subsidiaries

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

The amount outstanding to the Company from subsidiary undertakings at 30 June 2017 totalled £75.8m (2016: £75.9m).

During the year ended 30 June 2017, the Company made management and other charges to subsidiaries of £62.7m (2016: £65.8m) and paid net interest on Group loans from subsidiaries of £9.4m (2016: £33.4m received on loans to subsidiaries).

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

7.3.3 Transactions between the Group and its joint ventures

The Group has entered into transactions with its joint ventures in respect of development management/other services (with charges made based on the utilisation of these services) and funding. These transactions totalled £10.1m (2016: £14.3m) and £1.8m (2016: £1.3m) respectively. In addition, one of the Group's subsidiaries, BDW Trading Limited, contracts with a number of the Group's joint ventures to provide construction services.

During the year the Group received dividends totalling £85.1m (2016: £28.1m) from its joint ventures.

The amount of outstanding loans and interest due to the Group from its joint ventures at 30 June 2017 is disclosed in note 4.3.1. The amount of other outstanding payables to the Group from its joint ventures at 30 June 2017 totalled £9.1m (2016: £0.4m).

The amount of outstanding loans and other amounts due from the Group to its joint ventures totalled £1.2m (2016: £47.6m).

The Group's contingent liabilities relating to its joint ventures are disclosed in note 7.2.2.

7.3.4 Transactions between the Group and its associates

The amount of outstanding loans due to the Group from its associates at 30 June 2017 was £nil (2016: £nil). There were no other amounts outstanding to the Group from its associates as at 30 June 2017.

The Group's contingent liabilities relating to its associates are disclosed in note 7.2.2.

7.3.5 Property purchase by a Director of Barratt Developments PLC

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

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

In June 2016 David Thomas notified the Board of his, and his connected person's intention to buy one property each at the BDW Trading Limited site at Cane Hill Park. The Company's shareholders approved the transactions at the 2016 AGM and further details of the transactions which have completed during the year ended 30 June 2017 can be found on page 107.

There have been no 'smaller related party transactions' as defined in Listing Rule 11.1.10R for the year ended 30 June 2017 or in the year ended 30 June 2016.

7.4 Post balance sheet events

On 22 August 2017 the Company issued a Sterling US Private Placement (USPP) of £200.0m. This issuance has a ten year maturity with a fixed coupon of 2.77%.

In addition, on 22 August 2017 the Company, utilising the break clause, cancelled the £25.0m 2022 interest rate swap at fair value.

On 23 August 2017 the Group repaid its US\$80.0m USPP which had a fixed rate of 8.14%.

7.5 Group subsidiary undertakings

The entities listed below, and on the following pages, are subsidiaries of the Company or Group. All are registered in England & Wales or Scotland with the exception of SQ Holdings Limited which is registered in Guernsey. Unless otherwise stated, the results of these entities are consolidated within these financial statements.

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Acce Developments Limited	2	A	Ordinary	100%
Advance Housing Limited	1	A	Ordinary	100%
Ambrose Builders Limited	1	A	Ordinary	100%
Barratt Bristol Limited	1		Ordinary	100%
Barratt Central Limited	1		Ordinary	100%
Barratt Chester Limited	1	A	Ordinary	100%
Barratt Commercial Limited	1		Ordinary	100%
Barratt Construction (Southern) Limited	1	A	Ordinary	100%
Barratt Corporate Secretarial Services Limited	1		Ordinary	100%
Barratt Developments (International) Limited	1		Ordinary	100%
Barratt Dormant (Atlantic Quay) Limited	1	A	Ordinary	100%
Barratt Dormant (Blackpool) Limited	1	A	Ordinary	100%
Barratt Dormant (Capella) Limited	1	A	Ordinary	100%
Barratt Dormant (Cheadle Hulme) Limited	1	A	Ordinary	100%
Barratt Dormant (Hartow) Limited	1	A	Ordinary	100%
Barratt Dormant (Riverside Exchange Sheffield C2) Limited	1	A	Ordinary	100%
Barratt Dormant (Riverside Exchange Sheffield L/M) Limited	1	A	Ordinary	100%
Barratt Dormant (Riverside Quarter) Limited	1	A	Ordinary	100%
Barratt Dormant (Riverside Sheffield Building C) Limited	1	A	Ordinary	100%
Barratt Dormant (Rugby) Limited	1	A	Ordinary	100%
Barratt Dormant (Southampton) Limited	1	A	Ordinary	100%
Barratt Dormant (Theford) Limited	1	A	Ordinary	100%
Barratt Dormant (Tyers Bros Oakham) Limited	1	A	Ordinary	100%
Barratt Dormant (Watton) Limited	1	A	Ordinary	100%
Barratt Dormant (WB Construction) Limited	1	A	Ordinary	100%
Barratt Dormant (WB Developments) Limited	1	A	Ordinary	100%
Barratt Dormant (WB Properties Developments) Limited	1	A	Ordinary	100%
Barratt Dormant (WB Properties Northern) Limited	1	A	Ordinary	100%
Barratt East Anglia Limited	1	A	Ordinary	100%

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Barratt East Midlands Limited	1		Ordinary	100%
Barratt East Scotland Limited	1	A	Ordinary	100%
Barratt Eastern Counties Limited	1	A	Ordinary	100%
Barratt Edinburgh Limited	2	A	Ordinary	100%
Barratt Evolution Limited	1	A	Ordinary	100%
Barratt Falkirk Limited	2	A	Ordinary	100%
Barratt Leeds Limited	1		Ordinary	100%
Barratt London Investments Limited	1	A	Ordinary	100%
Barratt London Limited	1		Ordinary	100%
Barratt Manchester Limited	1		Ordinary	100%
Barratt Newcastle Limited	1	A	Ordinary	100%
Barratt North London Limited	1		Ordinary	100%
Barratt Northampton Limited	1		Ordinary	100%
Barratt Northern Limited	1		Ordinary	100%
Barratt Norwich Limited	1	A	Ordinary	100%
Barratt Pension Trustee Limited	1		Ordinary	100%
Barratt Poppleton Limited	1	A	Ordinary	100%
Barratt Preston Limited	1	A	Ordinary	100%
Barratt Properties Limited	1	A	Ordinary	100%
Barratt Residential Asset Management Limited	1	A	Ordinary	100%
Barratt Scottish Holdings Limited	2	A	Ordinary	100%
Barratt South London Limited	1		Ordinary	100%
Barratt South Wales Limited	1		Ordinary	100%
Barratt South West Limited	1	A	Ordinary	100%
Barratt Southern Counties Limited	1		Ordinary	100%
Barratt Southern Limited	1		Ordinary	100%
Barratt Southern Properties Limited	1	A	Ordinary	100%
Barratt Special Projects Limited	1	A	Ordinary	100%
Barratt St Mary's Limited	1	A	Ordinary	100%
Barratt St Paul's Limited	1	A	Ordinary	100%
Barratt Sutton Coldfield Limited	1	A	Ordinary	100%
Barratt Trade And Property Company Limited	2	A	Ordinary	100%
Barratt Urban Construction (East London) Limited	1	A	Ordinary	100%
Barratt Urban Construction (Northern) Limited	1	A	Ordinary	100%

Notes to the Financial Statements Year ended 30 June 2017 *continued*

7.5 Group subsidiary undertakings *continued*

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Barratt Urban Construction (Scotland) Limited	2	A	Ordinary	100%
Barratt West Midlands Limited	1		Ordinary	100%
Barratt West Scotland Limited	2		Ordinary	100%
Barratt Woking Limited	1	A	Ordinary	100%
Barratt York Limited	1		Ordinary	100%
Bart 225 Limited	1	A	Ordinary	100%
Base Regeneration LLP	1	A	N/A	N/A
Base East Central Rochdale LLP	1	A	N/A	N/A
Base Hattersley LLP	1	A	N/A	N/A
Base Werneth Oldham LLP	1	A	N/A	N/A
Basidon Regeneration (Barratt Wilson Bowden) Limited	1	A	Ordinary	100%
BDW (F.R.) Limited	1	A	Ordinary	100%
BDW (F.R. Commercial) Limited	1	A	Ordinary	100%
BDW North Scotland Limited	3		Ordinary	100%
BDW Trading Limited	1		Ordinary	100%
Bradgate Development Services Limited	1	A	Ordinary	100%
Broad Oak Homes Limited	1	A	Ordinary	100%
C V Ward Limited	1	A	Ordinary	100%
Camteplot Limited	1	A	Ordinary	100%
CHODS 429 Limited	1	A	Ordinary	100%
Citystyle Limited	1		Ordinary	100%
Crossbourne Construction Limited	1	A	Ordinary	100%
David Wilson Estates Limited	1	A	Ordinary	100%
David Wilson Homes (Anglia) Limited	1	A	Ordinary	100%
David Wilson Homes (East Midlands) Limited	1	A	Ordinary	100%
David Wilson Homes (Home Counties) Limited	1	A	Ordinary	100%
David Wilson Homes (North Midlands) Limited	1	A	Ordinary	100%
David Wilson Homes (Northern) Limited	1	A	Ordinary	100%
David Wilson Homes (South Midlands) Limited	1	A	Ordinary	100%
David Wilson Homes (Southern) Limited	1	A	Ordinary	100%
David Wilson Homes (Western) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 9) Limited	1	A	Ordinary	100%

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
David Wilson Homes Land (No 10) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 11) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 12) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 13) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 14) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 15) Limited	1	A	Ordinary	100%
David Wilson Homes Limited	1	A	Ordinary	100%
David Wilson Homes Services Limited	1	A	Ordinary	100%
David Wilson Homes Yorkshire Limited	1	A	Ordinary	100%
Decorfresh Projects Limited	1	A	Ordinary	100%
Diconson Holdings Limited	1	A	Ordinary	100%
E. Barker Limited	1	A	Ordinary	100%
E. Geary & Son Limited	1	A	Ordinary	100%
English Oak Homes Limited	1		Ordinary	100%
Francis (Springmeadows) Limited	1	A	Ordinary	100%
Frenchay Developments Limited	1	A	Ordinary	100%
G.D. Thorner (Construction) Limited	1	A	Ordinary	100%
G.D. Thorner (Holdings) Limited	2	A	Ordinary	100%
Glasgow Trust Limited	1		Ordinary	100%
Hartwood House Limited	1	A	Ordinary	100%
Hawkestone (South West) Limited	1	A	Ordinary	100%
Heartland Development Company Limited	1	A	Ordinary	100%
Idle Works Limited	1	A	Ordinary	100%
J G Parker Limited	1	A	Ordinary	100%
James Harrison (Contracts) Limited	2	A	Ordinary	100%
Janellus (No. 2) Limited	1	A	Ordinary	100%
Kealoha 11 Limited	1	A	Ordinary	100%
Kealoha Limited	1	A	Ordinary	100%
Kingsoak Homes Limited	1		Ordinary	100%
Knightsdale Homes Limited	1		Ordinary	100%
Lindmere Construction Limited	1	A	Ordinary	100%
Marple Development Company Limited	1	A	Ordinary	100%

7.5 Group subsidiary undertakings continued

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Meridian Press Limited	1	A	Ordinary	100%
Milton Park Homes Limited	1	A	Ordinary	100%
Moundale Homes Limited	1		Ordinary	100%
Norfolk Garden Estates Limited	1	A	Ordinary	100%
North West Land Developments Limited	1	A	Ordinary	100%
Redbourne Builders Limited	1	A	Ordinary	100%
Roland Bardsley Homes Limited	1	A	Ordinary	100%
Scathomes Limited	2	A	Ordinary	100%
Scottish Homes Investment Company Limited	2	A	Ordinary	100%
Skydram Property Co. Limited	1	A	Ordinary	100%
SQ Holdings Limited	4	A	Ordinary	90%
Squires Bridge Homes Limited	1	A	Ordinary	100%
Squires Bridge Limited	1	A	Ordinary	100%
Swift Properties Limited	1	A	Ordinary	100%
The French House Limited	1	A	Ordinary	100%
The In Hat Regeneration Partnership LLP	1	A	N/A	N/A
Tomlok Limited	1	A	Ordinary	100%
Trencherwood Commercial Limited	1	A	Ordinary	100%
Trencherwood Construction Limited	1	A	Ordinary	100%
Trencherwood Developments Limited	1	A	Ordinary	100%
Trencherwood Estates Limited	1	A	Ordinary	100%
Trencherwood Group Services Limited	1	A	Ordinary	100%
Trencherwood Homes (Holdings) Limited	1	A	Ordinary	100%
Trencherwood Homes (Midlands) Limited	1	A	Ordinary	100%
Trencherwood Homes (South Western) Limited	1	A	Ordinary	100%
Trencherwood Homes (Southern) Limited	1	A	Ordinary	100%
Trencherwood Homes Limited	1	A	Ordinary	100%
Trencherwood Housing Developments Limited	1	A	Ordinary	100%
Trencherwood Investments Limited	1	A	Ordinary	100%
Trencherwood Land Holdings Limited	1	A	Ordinary	100%
Trencherwood Land Limited	1	A	Ordinary	100%
Trencherwood Retirement Homes Limited	1	A	Ordinary	100%
Vizion (Milton Keynes) Limited	1	A	Ordinary	100%

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Vizion (MK) Properties LLP	1	A	N/A	N/A
VSM Bentley Priority 11 Limited	1	A	Ordinary	100%
VSM Bentley Priority 21 Limited	1	A	Ordinary	100%
VSM Bentley Priority 31 Limited	1	A	Ordinary	100%
VSM Bentley Priority 41 Limited	1	A	Ordinary	100%
VSM Bentley Priority 51 Limited	1	A	Ordinary	100%
VSM Bentley Priority 61 Limited	1	A	Ordinary	100%
Ward (Showhomes) Limited	1	A	Ordinary	100%
Ward Brothers (Gillingham) Limited	1	A	Ordinary	100%
Ward Holdings Limited	1	A	Ordinary	100%
Ward Homes (London) Limited	1	A	Ordinary	100%
Ward Homes (North Thames) Limited	1	A	Ordinary	100%
Ward Homes (South Eastern) Limited	1	A	Ordinary	100%
Ward Homes Group Limited	1	A	Ordinary	100%
Ward Homes Limited	1	A	Ordinary	100%
Ward Insurance Services Limited	1	A	Ordinary	100%
Wards Construction (Industrial) Limited	1	A	Ordinary	100%
Wards Construction (Investments) Limited	1	A	Ordinary	100%
Wards Country Houses Limited	1	A	Ordinary	100%
Westcountry Land (Union Corner) Limited *	1	A	Ordinary	100%
William Corah & Son Limited	1	A	Ordinary	100%
William Corah Joinery Limited	1	A	Ordinary	100%
Wilson Bowden (Atlantic Quay Number 21) Limited	1	A	Ordinary	100%
Wilson Bowden (Ravenscroft) Limited	1		Ordinary	100%
Wilson Bowden City Homes Limited	1	A	Ordinary	100%
Wilson Bowden Developments Limited	1	A	Ordinary	100%
Wilson Bowden Group Services Limited	1	A	Ordinary	100%
Wilson Bowden Limited	1	A	Ordinary	100%
Yeovil Developments Limited	1	A	Ordinary	100%
Abbey Park (Ampleforth) Management Company Limited	6	A, B	N/A	N/A
Abbotts Meadow (Stevenon) Management Company Limited	12	A, B	N/A	N/A
Alderbury Fields Management Company Limited	5	A, B	N/A	N/A
Ambers Rise (Bexhill) Management Company Limited	8	A, B	N/A	N/A

Notes to the Financial Statements Year ended 30 June 2017 *continued*

7.5 Group subsidiary undertakings *continued*

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Appegarth Manor (Oulton) Management Company Limited	10	A B	N/A	N/A
Artisan Place Residents Management Company Limited	11	A B	N/A	N/A
Ash Tree Court Management Company Limited	1	A D	N/A	N/A
Autumn Brook (Vale) Management Company Limited	13	A B	N/A	N/A
Baggeridge Village Management Company Limited	5	A B	N/A	N/A
Barley Fields Management Company Limited	10	A B	N/A	N/A
Barley Meadows (Southminster) Management Company Limited	14	A B	N/A	N/A
Barratt at Swanbourne Park Management Company Limited	9	A B	N/A	N/A
Beach Road (Pelham Grange) Cottenham Management Company Limited	15	A B	N/A	N/A
Beaufort Park (Wotton Bassett) Management Company Limited	19	A B	N/A	N/A
Beaufort Place (Crawley) Management Company Limited	17	A B	N/A	N/A
Belle Vue (Doncaster) Management Company Limited	6	A B	N/A	N/A
Bentley Priory (Stannore) Residents Management Company Limited	16	A B	N/A	N/A
Bexley College Tower Hill) Residents Management Company Limited	21	A B	N/A	N/A
Bilberry Chase Residents Management Company Limited	5	A B	N/A	N/A
Bishop Fields (Hereford) Management Company Limited	20	A B	N/A	N/A
Bishop Park (Henfield) Management Company Limited	17	A B	N/A	N/A
Blackwall Road (BDW) Resident Management Company Limited	8	A B	N/A	N/A
Blossombank (Canon Lane) Tonbridge Management Company	8	A B	N/A	N/A
Bluebell Woods (Wyke) Management Company Limited	10	A B	N/A	N/A
Bodington Manor (Adel) Management Company Limited	9	A B	N/A	N/A
Broadstone Mead Management Company Limited	13	A B	N/A	N/A
Brook Gardens Barnham Management Company Limited	9	A B	N/A	N/A
Broomhill Park Estates Residents Association Limited	1	A	Ordinary	87%
Brunel Gardens (Manderhead) Management Company	16	A B	N/A	N/A
Buckshaw Village Management Company Limited	8	A	Ordinary	50%
Bure Meadows (Aysbarn) Management Company Limited	14	A B	N/A	N/A
Butterfly Mill (Hastold) Management Company Limited	14	A B	N/A	N/A
Burts Lane Maple Park Management Company Limited	15	A B	N/A	N/A
Canal Walk (Conchester) Management Company Limited	7	A B	N/A	N/A
Cane Hill Park (Coudsdon) Management Company Limited	17	A B	N/A	N/A
Canterbury Park (High Cross) Management Company Limited	8	A B	N/A	N/A

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Cardinal Park (Southampton) Management Company Limited	31	A B	N/A	N/A
Castlegate & Mowbray Park Management Company Limited	6	A B	N/A	N/A
Castle Hill (Barratt) Residents Management Company Limited	8	A B	N/A	N/A
Cedar Ridge Management Company Limited	10	A B	N/A	N/A
Central Area Heat Company Limited	12	A B	N/A	N/A
Centurion Fields (Adel) Management Company Limited	6	A B	N/A	N/A
Cherry Tree Grove (West Parrey) Management Company Limited	18	A B	N/A	N/A
Cissbury Chase (Worthing) Management Company Limited	17	A B	N/A	N/A
Colliers Court (Speedwell) Management Company Limited	13	A B	N/A	N/A
Coppice Green Lane Management Company Limited	5	A B	N/A	N/A
Copsewood Management Company Limited	5	A B	N/A	N/A
Copseys Nursery (Havant) Management Company Limited	7	A B	N/A	N/A
Croft Gardens (Spencers Wood) Management Company Limited	12	A B	N/A	N/A
Darcombe Gardens Management Company Limited	33	A B	N/A	N/A
Dehavilland Place (Haltwhistle) Management Company Limited	22	A B	N/A	N/A
De Lacy Fields KMB Management Company Limited	5	A B	N/A	N/A
De Lacy Fields KM12 Management Company Limited	5	A B	N/A	N/A
Doseley Park Residents Management Company Limited	5	A B	N/A	N/A
Dunnings Mills Management Company Limited	34	A B	N/A	N/A
Duchess Park (Newmarket) Management Company Limited	14	A B	N/A	N/A
Earls Park Management Company Limited	19	A B	N/A	N/A
East Beach Walk Management Company Limited	51	A B	N/A	N/A
Edwalton (Sharpe Hill) Management Company Limited	53	A B	N/A	N/A
Elm Tree Park Management Company (Beverley) Limited	23	A B	N/A	N/A
Enterprise Way Management Company Limited	24	A B	N/A	N/A
Eton Green Management Company Limited	25	A B	N/A	N/A
Fallows Park Management Company Limited	52	A B	N/A	N/A
Fairways (Bedford) Management Company Limited	8	A B	N/A	N/A
Foundry Place (Crawley) Management Company Limited	15	A B	N/A	N/A
Forcote Mead Management Company Limited	1	A B	Ordinary	100%
Freemen's Meadow Residents Management Company Limited	26	A B	N/A	N/A
Fusion (Sun Street) Management Company Limited	13	A B	N/A	N/A

7.5 Group subsidiary undertakings continued

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Garnets Wharf (Olley) Management Company Limited	9	A B	N/A	N/A
Gillies Meadow (Basingstoke) Management Company Limited	12	A B	N/A	N/A
Gloucester Gate (Basildon) Management Company Limited	15	A B	N/A	N/A
Grange Park (Hampshire) Management Company Limited	10	A B	N/A	N/A
Grylles Management Company Limited	8	A B	N/A	N/A
GWD Management Limited	24	A D	N/A	N/A
H2363 Limited	19	A B	N/A	N/A
Halstead Place Residents Company Limited	27	A B	N/A	N/A
Hanham Hall Community Interest Company Limited	13	A B	N/A	N/A
Harlow Gateway Limited	36	A B	N/A	N/A
Hartley Brook (Netherton) Management Company Limited	10	AB	N/A	N/A
Hawley Gardens Management Company Limited	36	A B	N/A	N/A
Hazelmere Management Company Limited	1	A D	N/A	N/A
Heathwood Park II (Indfield) Management Company Limited	17	A B	N/A	N/A
Helme Ridge (Wetlham) Management Company Limited	28	AB	N/A	N/A
Hewenden Ridge (Cullingworth) Management Company Limited	9	A B	N/A	N/A
High Beeches (Sharnon) Management Company Limited	8	A B	N/A	N/A
Hollygate Park (Colgrave) Management Company Limited	16	A B	N/A	N/A
Impact and Willowbrook Management Company Limited	23	A B	N/A	N/A
Interlink Park Management Company Limited	1	A C	Ordinary	0%
Kennett Heath Management Limited	8	A B	N/A	N/A
Kingley Gate (Littlehampton) Management Company Limited	17	A B	N/A	N/A
Kingsbrook Estate Management Company Limited	16	AB	N/A	N/A
Kingsdown Gate (Swindon) Management Company Limited	13	A B	N/A	N/A
Kings Lodge (Chilwell) Management Company Limited	26	A B	N/A	N/A
KW Site B1 Management Company Limited	12	AB	N/A	N/A
Lay Wood (Devizes) Management Company Limited	19	AB	N/A	N/A
Leithfield Park (Godalming) Management Company Limited	17	A B	N/A	N/A
Liberty Green (Hull) Management Company Limited	6	A B	N/A	N/A
Liberty Rise Phase 1 (Hertford) Management Company Limited	22	A B	N/A	N/A
Locksbridge Park (Andover) Management Company Limited	12	A B	N/A	N/A
Lordswood Gardens Residents Management Company Limited	5	A B	N/A	N/A

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Limeside Mills Management Company Limited	8	A B	N/A	N/A
Lying Management Company Limited	5	A B	N/A	N/A
Lytleton Grange Management Company Limited	5	A B	N/A	N/A
Madden Gardens Residents Management Company Limited	37	A B	N/A	N/A
Manor Farm (Devizes) Management Company Limited	18	A B	N/A	N/A
Marlet Square Residents Management Company Limited	21	A B	N/A	N/A
Marlet Lakes (Barratt) Resident Management Company Limited	8	A B	N/A	N/A
Martello Lakes (Barratt) Residents Management Company Limited	8	AB	N/A	N/A
Martingale Chase (Newbury) Management Company Limited	8	A B	N/A	N/A
Mayflower Green (Saxmudham) Residents Company Limited	14	A B	N/A	N/A
Meadowfields (Boroughbridge) Management Company Limited	10	AB	N/A	N/A
Meadow View Watchfield Management Company Limited	13	A B	N/A	N/A
Meridian Business Park Extension Management Company Limited	1	A C	Ordinary	29%
Milford Grange (Storrington) Management Company Limited	17	A B	N/A	N/A
Monarchs Keep (Bursledon) Management Company Limited	47	AB	N/A	N/A
Montague Park (Buckhurst Farm) Management Company Limited	12	A B	N/A	N/A
Montague Park (Wokingham) Management Company Limited	17	A B	N/A	N/A
Montgomery Place Residents Management Company Limited	5	A B	N/A	N/A
Mulberry Park (Forngland) Management Company Limited	14	A B	N/A	N/A
Nexus Point Management Company Limited	1	A C	Ordinary	0%
Nexus Point Management Company Number 2 Limited	1	A	Ordinary	80%
N.E. Horley Resident Management Company Limited	25	A B	N/A	N/A
Newbery Corner Management Company Limited	13	A B	N/A	N/A
New Central (Woking) Management Company Limited	15	A B	N/A	N/A
Nightingale Rise (Swindon) Management Company Limited	13	A B	N/A	N/A
New Heritage (Bordon) Management Company Limited	47	AB	N/A	N/A
New Mill Quarter (BL) Residents Management Company Limited	41	AB	N/A	N/A
New Mill Quarter (IDWH) Resident Management Company Limited	41	AB	N/A	N/A
New Mill Quarter Estate Resident Management Company Limited	41	AB	N/A	N/A
Northalls Grange (Taunton) Management Company Limited	19	A B	N/A	N/A
Norton Farm Management Company Limited	20	A B	N/A	N/A
Nottingham Business Park Management Company Limited	1	A C	Ordinary	2%

Notes to the Financial Statements Year ended 30 June 2017 *continued*

7.5 Group subsidiary undertakings *continued*

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Nottingham Business Park (Orchard Place) Management Company Limited	1	A, C	Ordinary	2%
NSQ Residents Management Company Limited	24	A, B	N/A	N/A
Oak Hill Meus Management Company Limited	20	A, B	N/A	N/A
Oakfield Village Estate Management Company Limited	16	A, B	N/A	N/A
Oakhill Gardens (Swannore) Management Company Limited	7	A, B	N/A	N/A
Oaklands (Ponteract) Management Company Limited	9	A, B	N/A	N/A
Oakhurst Place (Bexhill) Management Company Limited	17	A, B	N/A	N/A
Oakwell Grange Management Company Limited	16	A, B	N/A	N/A
Oatley Park Management Company Limited	19	A, B	N/A	N/A
Old Cider Works Management Company Limited	38	A, B	N/A	N/A
One Eight Zero (Bedhampton) Management Company Limited	7	A, B	N/A	N/A
Odalimus Point Management Company Limited	1	A, C	Ordinary	-
Orchard Gate (Kingsdon Bagpuze) Management Company Limited	12	A, B	N/A	N/A
Park Farm (Thornbury) Community Interest Company Limited	19	A, B	N/A	N/A
Park Farm (Thornbury) Community Interest Company	19	A, B	N/A	N/A
Parklands Residents Soakway Management Company Limited	39	A, C	Ordinary	1%
Pavilion Square (Pockington) Management Company Limited	6	A, B	N/A	N/A
Peasedown Meadows Management Company Limited	13	A, B	N/A	N/A
Pembroke Park (Phase 2) Management Company Limited	26	A, B	N/A	N/A
Pembroke Park (Gloucester) Management Company Limited	19	A, B	N/A	N/A
Phoenix And Scorsby Park Management Company Limited	6	A, B	N/A	N/A
Phoenix Quarter – Apt. – Management Company Limited	21	A, B	N/A	N/A
Phoenix Quarter Estate Management Company Limited	21	A, B	N/A	N/A
Pilgrims Rest (Kempston) Management Company Limited	15	A, B	N/A	N/A
Poppy Fields, Charing Residents Management Company Limited	8	A, B	N/A	N/A
Portman Square West Village Reading Management Company Limited	12	A, B	N/A	N/A
Preston Grange Residents Management Company Limited	27	A, B	N/A	N/A
Prior Fields (Ponteract) Management Company Limited	10	A, B	N/A	N/A
Q Park (Darford) Management Company Limited	21	A, B	N/A	N/A
Ravenhill Park Management Company Limited	20	A, B	N/A	N/A
Reflections 2 (Colchester) Residents Company Limited	10	A, B	N/A	N/A
Regency Place (Leatherhead) Management Company Limited	40	A, B	N/A	N/A

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Ridgeway Residential Management Company Limited	11	A, B	N/A	N/A
Riverdown Park (Salisbury) Management Company Limited	17	A, B	N/A	N/A
Riverside Exchange Management Company Limited	1	A, C	Ordinary/ Preference	22.8
Romulus Management Company Limited	1	A, C	Ordinary	4%
Ronkswood Residents Management Company Limited	5	A, B	N/A	N/A
Runshaw Management Company Limited	8	A	Ordinary	100%
Salters Park Management Company Limited	5	A, B	N/A	N/A
Sandbrook Park Management Company Limited	16	A, B	N/A	N/A
Sandpiper Walk (West Wittering) Management Company Limited	7	A, B	N/A	N/A
Saunderson Gardens Management Company Limited	28	A, B	N/A	N/A
Saxon Gate Leonard Stanley Management Company Limited	10	A, B	N/A	N/A
Saxon Gate (Stamford Bridge) Management Company Limited	52	A, B	N/A	N/A
Saxon Place (Hartlebury) Resident Management Company Limited	41	A, B	N/A	N/A
Sholden Fields (Deal) Management Limited	21	A, B	N/A	N/A
Silkwold Gate (Wakefield) Management Company Limited	9	A, B	N/A	N/A
Silvas Grange (Heathfield) Management Company Limited	15	A, B	N/A	N/A
Spinney Fields Resident Management Company Limited	5	A, B	N/A	N/A
Spireswood Grange (Hurslip) Management Company Limited	17	A, B	N/A	N/A
St. Andrews View (Mortley) Management Company Limited	42	A, B	N/A	N/A
St. James Gardens (Wick) Management Company Limited	29	A, B	N/A	N/A
St. James Management Company Limited	9	A, B	N/A	N/A
St. John's Walk (Hoylandswan) Management Company Limited	28	A, B	N/A	N/A
St. Laurence Meadows Management Company Limited	20	A, B	N/A	N/A
St. Mary's Park (Hartley Wintney) Management Company Limited	25	A, B	N/A	N/A
St. Oswalds View (Methley) Management Company Limited	28	A, B	N/A	N/A
St. Wilfrids Walk Management Company Limited	6	A, B	N/A	N/A
Stanstead Road (Caterham) Management Company Limited	25	A, B	N/A	N/A
Stanstead Road (Kingswood Place) (Eisenham) Management Company Limited	14	A, B	N/A	N/A
Stonefield Management Company Limited	1	A	Ordinary	100%
Swallows Field (Hemel Hempstead) Management Company Limited	22	A, B	N/A	N/A
Swanbourne Park Management Company Limited	9	A, B	N/A	N/A

7.5 Group subsidiary undertakings *continued*

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Swan Mill Newbury Management Company Limited	12	A, B	N/A	N/A
Swinbrook Park (Cartton) Management Company Limited	12	A, B	N/A	N/A
Templar's Chase (Weherby) Management Company Limited	28	A, B	N/A	N/A
Tenbury View Management Company Limited	5	A, B	N/A	N/A
The Abacoel Fields Residents Management Company Limited	5	A, B	N/A	N/A
The Beeches (Nightingale Woods) Residential Management Company Limited	43	A, B	N/A	N/A
The Belt Open Space Management Company Limited	6	A, B	N/A	N/A
The Chase (Longfield) Residents Company Limited	8	A, B	N/A	N/A
The Chocolate Works Management Company Limited	6	A, B	N/A	N/A
The Fields (Worthing) Management Company Limited	8	A, B	N/A	N/A
The Foundry (Wakelief) Management Company Limited	9	A, B	N/A	N/A
The Gateway (Handsworth) Management Co Limited	6	A, B	N/A	N/A
The Grange (Lightcliffe) Management Company Limited	28	A, B	N/A	N/A
The Hedgerows (Hurstcroft) Management Company Limited	9	A, B	N/A	N/A
The Larches (Offenharn) Management Company Limited	44	A, B	N/A	N/A
The Linces (Longfield) Management Company Limited	15	A, B	N/A	N/A
The Maltings (Wallingford) Management Company Limited	12	A, B	N/A	N/A
The Martlets (Crawley) Management Company Limited	45	A, B	N/A	N/A
The Meadows (Frampton Cotterell) Management Company Limited	13	A, B	N/A	N/A
The Mounts Residents Management Company Limited	5	A, B	N/A	N/A
The Old Meadow Management Company Limited	5	A, B	N/A	N/A
The Orchard Allington Residents Management Company Limited	8	A, B	N/A	N/A
The Orchids (Sarisbury Green) Management Company Limited	31	A, B	N/A	N/A
The Orchards (Oakley) Management Company Limited	1	A	Ordinary	60%
The Orchards (Roby) Management Company Limited	8	A, B	N/A	N/A
The Oysters (Haying Island) Management Company Limited	7	A, B	N/A	N/A
The Paddocks Management Company Limited	5	A, B	N/A	N/A
The Paddocks (Skelmethorpe) Management Company Limited	28	A, B	N/A	N/A
The Paddocks (Southmoor) Management Company Limited	12	A, B	N/A	N/A
The Pastures (Knarborough) Management Company Limited	6	A, B	N/A	N/A
The Pavilions Management Company (Southampton) Limited	12	A, B	N/A	N/A
The Sidings (Stratford Road) Management Company Limited	8	A, B	N/A	N/A

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
The Spire (Chesterfield) Management Company Limited	26	A, B	N/A	N/A
The Vineyards Management Company Limited	19	A, B	N/A	N/A
The Zone (Temple Quay) Management Company Limited	46	A, B	N/A	N/A
Tranby Fields Management Company Limited	10	A, B	N/A	N/A
Trinity Square (NW9) Management Company Limited	11	A, B	N/A	N/A
Trinity Village Estate Company Limited	8	A, B	N/A	N/A
Trinity Village (Phase 1B) Residents Company Limited	8	A, B	N/A	N/A
Trinity Village (Phase 3) Residents Company Limited	8	A, B	N/A	N/A
Trinity Village (Phase 4) Residents Company Limited	8	A, B	N/A	N/A
Trumpington (Phase 6 & 7) Management Company Limited	10	A, B	N/A	N/A
Trumpington (Phase 8 - 11) Management Company Limited	14	A, B	N/A	N/A
Upton C Management Company Limited	25	A, B	N/A	N/A
Victoria Park (Stone House) Management Company Limited	21	A, B	N/A	N/A
Victoria Walk Management Company Limited	47	A, B	N/A	N/A
Waters Edge (Mossley) Management Company Limited	8	A, B	N/A	N/A
Waterton Tennis Centre Limited	29	A	Ordinary	100%
WBD Blenheim Management Company Limited	1	A	Ordinary	75%
WBD (Chalfont Park) Limited	1	A, C	Ordinary	1%
WBD (Chesterfield Management) Limited	1	A, C	Ordinary	17%
WBD (Chesterfield Plot Management) Company Limited	1	A, C	Ordinary	25%
WBD (Kingsway Management) Limited	1	A, B	N/A	N/A
WBD (Riverside Exchange Sheffield B) Limited	1	A	Ordinary	100%
WBD Riverside Sheffield Building K Limited	1	A	Ordinary	100%
WBD (Wickingham) Limited	1	A	Ordinary	100%
Wedgehead (Reddish) Management Company Limited	33	A, B	N/A	N/A
Wedgehead Residents Management Company Limited	5	A, B	N/A	N/A
Wedgehead Park (Buckley) Management Company Limited	26	A, B	N/A	N/A
West Central (Slough) Management Company Limited	8	A, B	N/A	N/A
West Village Reading Management Company Limited	12	A, D	N/A	N/A
Weyside Place (Gouldford) Management Company Limited	17	A, B	N/A	N/A
White Sands Management Company Limited	49	A, B	N/A	N/A
Willow Farm Management Company Limited	1	A, C	Ordinary	1%

Notes to the Financial Statements Year ended 30 June 2017 *continued*

7.5 Group subsidiary undertakings *continued*

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Willow Grove (Stopsley) Management Company Limited	8	A/B	N/A	N/A
Willowmead (Wyelescombe) Management Company Limited	19	A/B	N/A	N/A
Winnington Village Community Management Company Limited	26	A/B	N/A	N/A
Withnes Bridge Management Company Limited	13	A/B	N/A	N/A
Woodhall Grange Management Company Limited	6	A/B	N/A	N/A
Woodthorne Residents Management Company Limited	5	A/B	N/A	N/A
Woodlands Walk (Branton) Management Company Limited	6	A/B	N/A	N/A

* On 22 December 2016, the Group acquired options to purchase land held by Westcountry Land Union Corner Limited, through the acquisition of 100% of the ordinary share capital of the company on that date.

Notes

- A Owned through another Group company.
 B Entity is limited by guarantee and is a temporary member of the Group. Assets are not held for the benefit of the Group and the entity has no profit or loss in the year.
 C The Group is a minority shareholder but has voting control.
 D The Group does not own any shares but has control via directors who are employees of the Group.

Registered Office

- 1 Barratt House, Cartwright Way, Forest Business Park, Barton Hill, Coalville, Leicestershire, LE67 1UF
- 2 7 Buchanan Gate, Cumberland Road, Stepps, Glasgow, G33 6FB
- 3 Blairton House, Old Aberdeen Road, Balmedie, Aberdeenshire, AB23 8SH
- 4 PO Box 119, Marvella Court, Admiral Park, St. Peter Port, Guernsey, GY1 3HB
- 5 One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ
- 6 Unit 11 Omega Business Park Omega Business Village, Thurston Road, Northallerton, North Yorkshire, DL6 2NU
- 7 Tollbar House, Tollbar Way, Hedge End, Southampton, Hampshire, SO30 2UH
- 8 Residential Management Group Ltd, Ring House, Essex Road, Hoddessdon, Herts, EN11 0DR
- 9 Gateway House, 10 Coopers Way, Southend on Sea, Essex, SS2 5TE
- 10 Vantage Point, 23 Mark Road, Hemet Hempstead, Hertfordshire, HP27 7DN
- 11 167 Turners Hill, Chesnut, Waltham Cross, Hertfordshire, EN8 9BH
- 12 Norgate House, Tealgate, Charnham Park, Hungerford, Berkshire, RG17 0YT
- 13 Units 1, 2, & 3 Beech Court, Wokingham Road, Hurst, Reading, England, RG10 0RU
- 14 Barratt House, 7 Springfield Lyons Approach, Chelmsford, Essex, CM2 5EY
- 15 The Maltings, Hyde Hall Farm, Sandon, Herts, England, SG9 0RU
- 16 2 Hills Road, Cambridge, Cambridgeshire, CB2 1JP

- 17 Barratt House, Walnut Tree Close, Guildford, Surrey, GU1 4SW
- 18 Fisher House, 84 Fisherton Street, Salisbury, England, SP2 7DY
- 19 2nd Floor Aztec Centre, Aztec West, Bristol, BS32 4TD
- 20 60 Whitehall Road, Halesowen, B63 3J5
- 21 Gem House, 1 Durhams Lane, Letchworth Garden City, Hertfordshire, SG6 1GL
- 22 Wellstones House, Wellstones, Watford, Hertfordshire, WD17 2AF
- 23 Specialist Services Building, Leicester Road, Wolvey, Hincley, LE10 3JF
- 24 Barratt Residential Asset Management Limited, Wallis House, Great West Road, Brentford, TW8 9BS
- 25 Firstport Property Services Limited, Marlborough House Wigmore Place, Wigmore Lane, Luton, LU2 9EX
- 26 Chiltern House, 72 - 74 King Edward Street, Macclesfield, Cheshire, SK10 1AI
- 27 Jarmans Solicitors, Bell House, Bell Road, Sittingbourne, Kent, England, ME10 4DH
- 28 Raynham House, 2 Capital Close, Morley, Leeds, West Yorkshire, LS22 0WH
- 29 Oak House, Village Way, Cardiff, CF15 7NE
- 30 24 Bridge Street, Newport, NP20 4SF
- 31 12-14 Carlton Place, Southampton, Hampshire, SO15 2EA
- 32 94 Park Lane, Croxden, Surrey, CR0 1JB
- 33 Whittington Hall, Whittington Road, Worcester, WR3 2ZX
- 34 No. 2 Bulrushes Business Park, Coombe Hill Road, East Grinstead, W Sussex, RH19 4LZ
- 35 Ranger House, Walnut Tree Close, Guildford, Surrey, GU1 4UL
- 36 4 Brindley Road, City Park, Manchester, M16 9HQ
- 37 49-51 Windmill Hill, Enfield, EN2 7AL
- 38 North Point, Stafford Drive, Battlefield Enterprise Park, Sloughbury, Shropshire, SY1 39F
- 39 100 High Street, Whitstable, Kent, CT5 1AT
- 40 JFM Block & Estate Management, Middlesex House, 130 College Road, Harrow, HA1 1BG
- 41 2 Temple Back East, Temple Quay, Bristol, BS1 9EG
- 42 Freemont Property Managers Ltd, 3 The Old School, The Square, Pennington, Lymington, Hampshire, SO41 8GN
- 43 Marlborough House, 298 Regent's Park Road, London, N3 2UU
- 44 7 Rinkway Business Park, Rink Drive, Swadlincote, Derbyshire, DE11 8JL
- 45 The Old Wheel House, 31-37 Church Street, Reigate, RH2 0AD
- 46 2 Westfield Park, Barns Ground/Cleveland, Somerset, BS21 6UA
- 47 PO Box 648, Gateway House Tolgate, Chandler's Ford, Eastleigh, Hampshire, SO50 0ND
- 48 The Racecourse, Newbury Racecourse, Newbury, Berkshire, RG14 7NZ
- 49 1 Princetown Mews, 167-169 London Road, Kingston Upon Thames, Surrey, KT2 6PT
- 50 Bridgeway House, Bridgeway, Stratford-upon-Avon, Warwickshire, CV37 6YX
- 51 PO Box 328 Jotton, Southampton, England, SO40 0BS
- 52 Unit 6 Alpha Court, Monks Cross Drive, York, North Yorkshire, YO32 9WN
- 53 45 Summer Row, Birmingham, B3 1JJ

KPI definitions and why we measure

KPI	Definition	Why we measure
Adjusted gross margin	Gross profit before adjusted items divided by total revenue, expressed as a percentage.	This measures underlying gross profitability of the Group before overhead costs, finance costs, tax and one-off items. This is a key internal management metric for assessing performance.
Adjusted profit before tax (PBT)	The Group's profit before tax including its share of profits from JV's and associates, before any adjusted items.	This measure demonstrates the overall underlying profitability of the Group after administrative costs and finance costs but before one-off items. This is consistent with how the business performance is reported to and assessed by the Board.
Return on capital employed (ROCE)	Calculated as earnings before interest, tax, operating charges relating to the defined benefit pension scheme and operating adjusting or exceptional items, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments.	We measure return on capital employed to demonstrate the level of return as a percentage from our core operations and to demonstrate the generation of shareholder value. It is a key internal management performance measure for ensuring efficient and effective use of shareholders' capital within business operations.
Year end net cash	Calculated as cash and cash equivalents, less total borrowings being total drawn debt, plus/minus the value of any foreign exchange swaps held.	We measure net cash/debt as a measure of our liquidity and available funds at any given point in time. We adjust for the effect of foreign exchange swaps in place on debt denoted in foreign currencies to better reflect the Group's available funds in sterling. This is a key measure used to assess the ability of the Group to fund its ongoing operations and commitments.
Earnings per share (EPS)	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 Employee Benefit Trust which are treated as cancelled.	We measure earnings per share for our shareholders as it measures the amount of post-tax profit attributable to them over the period and is used in the calculation of dividends.
Total Shareholder Return (TSR)	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.	We measure TSR as it enables our shareholders to identify the amount of appreciation and income they have derived from holding the Group's shares over a three-year period when compared against other investments.
Health and Safety (SHE audit compliance)	The percentage of internal inspections which are compliant with SHE guidelines.	We measure compliance with Health & Safety as it is our number one priority. We strive to ensure that our people, whether employees, sub-contractors or members of the public, remain safe throughout the whole construction and sales process of our developments and in our wider business.
Customer service	The percentage of home buyers who would recommend the Group to family and friends taken from the HBF Homebuilder Survey.	We measure customer service as our customers are key to our success as a business. The HBF Homebuilder survey is an industry recognised, independently measured indicator of both our customer service and build quality.
Employee engagement score	The percentage level of satisfaction of our people measured using a yearly independently conducted survey. This is compared against a UK wide benchmark to assess overall engagement.	The survey is designed to provide home buyers with information about housebuilders to help guide their purchasing decision, and to encourage excellent levels of service to be delivered by housebuilders.
Owned and controlled land bank years	The percentage level of satisfaction of our people measured using a yearly independently conducted survey. This is compared against a UK wide benchmark to assess overall engagement.	We measure employee engagement because we aim to have a highly engaged workforce across the Group. We aim to attract and retain the best people and seek to invest in their development and success.
Land approvals (plots)	Owned and controlled plots as at the end of the financial year divided by the number of private and affordable completions for the current financial year.	The availability of land is a key input to our business. We continually monitor our land bank and the mix of land we have to ensure we have an appropriate land supply.
Total completions	The number of plots approved for purchase by the Group.	We measure and monitor land approvals to monitor our land intake and ensure we are approving for purchase an appropriate amount of land to support our business activities going forward.
	Homes sold during the year including 100% of JV homes sold in which the Group has an interest.	Completions are an industry wide measure which reflects the level of activity and growth of the business.

Glossary

12 month leaver completion rate	The number of apprentice leavers who achieve at least a level 2 qualification (NVQ) divided by total number of apprentice leavers
Active outlet	A site with at least one plot for sale
AGM	Annual General Meeting
Articles	The Company's Articles of Association
ASP	Average selling price
Average debt	Calculated on annual average daily closing debt position
BEIS	Department for Business, Energy and Industrial Strategy
BOE	Bank of England
BIS	Department for Business, Innovation and Skills
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
Capital employed	Calculated as average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments
CIP	Co-Investment Plan
CIRIA	Construction Industry Research and Information Association
CITB	Construction Industry Training Board
CMI	The actuarial profession's Continuous Mortality Investigation
CMI Order 2014	Statutory Audit Services for Large Company Market Investigations (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014
DBO	Deferred Benefit Obligation
DBP	Deferred Bonus Plan
DCLG	Department for Communities and Local Government
EBT	Barrat Developments Employee Benefit Trust
EPS	Earnings per share
ESOS	Executive Share Option Scheme
EU	European Union
FRC	Financial Reporting Council
FSC	Forest Stewardship Council
FY	Refers to the financial year ended 30 June
GDPR	General Data Protection Regulation
HBF	Home Builders Federation
HCA	Homes and Communities Agency
HMRC	HM Revenue & Customs
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards

ILR	Injury incidence rate
ISDA	International Swaps and Derivatives Association
JVs	Joint ventures
KPI	Key performance indicator
LIBOR	The London Interbank Offered Rate
LTP	Long Term Performance Plan
MMC	Modern methods of construction
NBS	New Bridge Street
Net tangible assets	Group net assets less other intangible assets and goodwill
NHBC	National House Building Council
Numbers	Unless otherwise stated all numbers quoted exclude joint ventures (JVs) and are as at 30 June 2017 throughout this Annual Report and Accounts
NVO	National Vocational Qualification
OHSAS	Occupational Health and Safety Management Systems
ONS	Office of National Statistics
Operating margin	Profit from operations divided by revenue
Owned Shareholding	Shares held by an Executive Director, their spouse, partner or child under 18, either directly, in an ISA or PEP or in a pension or trust arrangement
PBT	Profit before tax
PEFC	The Programme for the Endorsement of Forest Certification
Profit before tax 2013	Where quoted is calculated before exceptional items
RCF	Revolving Credit Facility
ROCE	Return on capital employed calculated as described on page 175
RSPB	Royal Society for the Protection of Birds
Share save	Savings-Related Share Option Scheme
SHE	Safety, Health and the Environment
SIC	Standing Interpretations Committee
Site ROCE	Site ROCE on land acquisition is calculated as site operating profit (site trading profit less overheads less allocated administrative overheads) divided by average investment in site land, work in progress and equity share
SMIS	Senior Manager Incentive Scheme
SMSOP	Senior Manager Share Option Plan
the Code	UK Corporate Governance Code issued in April 2016 (copy available from www.frc.org.uk)
the Scheme	the Barrat Group Pension & Life Assurance Scheme
Total completions	Unless otherwise stated total completions quoted include JVs
TSR	Total shareholder return
UKLA	UK Listing Authority
Underlying ROCE	ROCE as defined on page 175 with net assets also adjusted for land creditors
WACC	Weighted average cost of capital
WIP	Work in progress

Other Information

Five Year Record, Financial Calendar, Group Advisers and Company Information Five Year Record (Unaudited)

	2017	2016	2015	2014	2013
Revenue (£m)	4,450.2	4,235.2	3,759.5	3,157.0	2,606.2
Profit before tax (£m)	765.1	682.3	565.5	390.6	104.5
Share capital and equity (£m)	4,322.2	4,010.2	3,711.3	3,354.0	3,073.2
Per ordinary share:					
Basic earnings per share (pence)	61.3	55.1	45.5	31.2	7.7
Dividend (interim paid and final proposed) (pence)	24.4	18.3	15.1	10.3	2.5
Special cash payment proposed (pence)	17.3	12.4	10.0	-	-

* The Consolidated Income Statement and Statements of Comprehensive Income have been restated for 2013 following the adoption of IAS 19 (Revised) 'Employee Benefits'

Financial Calendar

Announcement	
2017 Annual General Meeting and Trading update	15 November 2017
FY17 Final Dividend Payment	20 November 2017
Trading update	11 January 2018
2018 Interim Results Announcement	21 February 2018
Trading update	9 May 2018
FY18 Interim Dividend Payment	May 2018
Trading update	11 July 2018
2018 Annual Results Announcement	5 September 2018

Group Advisers

Registrars

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel: 0871 664 0300

Chartered Accountants and Statutory Auditor

Deloitte LLP
London

Solicitors

Slaughter and May

Brokers and Investment Bankers

Credit Suisse Securities (Europe) Limited
Deutsche Bank AG

Company Information

Registered in England and Wales.
Company number 604574

Registered office

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