

Barratt Developments PLC
Annual Results Announcement for the year ended 30 June 2016

Another year of strong performance and a positive start to FY17

£m unless otherwise stated	Year ended 30 June 2016	Year ended 30 June 2015	Change
Total completions ¹ (plots)	17,319	16,447	5.3%
Revenue	4,235.2	3,759.5	12.7%
Profit from operations	668.4	576.8	15.9%
Operating margin ² (%)	15.8	15.3	0.5ppts
Profit before tax	682.3	565.5	20.7%
Basic earnings per share (pence)	55.1	45.5	21.1%
Return on capital employed ³ (%)	27.1	23.9	3.2ppts
Net cash ⁴	592.0	186.5	405.5

Highlights

- Disciplined growth in housing completions, delivering our highest total in eight years
- Private average selling price increased by 10.4% to £289,800 (2015: £262,500), predominantly reflecting mix
- Strong growth in profit before tax, up by 20.7% to £682.3m (2015: £565.5m)
- ROCE up 3.2 ppts to 27.1% (2015: 23.9%), reflecting our fast asset turn model
- Positive cash generation resulting in strong balance sheet and net cash at 30 June 2016 of £592.0m (2015: £186.5m)
- Excellent future land opportunities secured with 24,387 plots approved for purchase; controlled land supply of 4.5 years at year end
- Step up in the delivery of strategic land with 22% (2015: 17%) of completions from strategic land
- 19% increase in final ordinary dividend per share to 12.3p (2015: 10.3p) together with 12.4p special dividend per share
- Total FY16⁵ capital return of £308m (2015: £250m), equating to 30.7 pence per share (2015: 25.1 pence per share)

Current trading

- Positive start to the new financial year, with net private reservations per active outlet per average week from 1 July 2016 of 0.75 (2015: 0.71)
- Total forward sales including JV's as at 4 September 2016 up by 4.1% compared to last year, at £2,416.5m (6 September 2015: £2,321.9m)

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

"The strong operational and financial performance in FY16 reinforces the progress we have made over the last few years as does our disciplined volume growth. This was underpinned by our fast asset turn model and our industry leading customer service and construction excellence.

Barratt starts the new financial year in a good position with a strong balance sheet, good forward sales and an experienced management team. Whilst we continue to monitor market conditions closely, current trading trends are positive, and I remain confident in the fundamentals of the housing sector and of our business."

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

² Operating margin is profit from operations divided by revenue

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

⁴ Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps.

⁵ FY refers to the Financial Year ended 30 June

Note: In this Annual Results Announcement, the 'Company' is defined as Barratt Developments PLC and the 'Group' relates to the Company together with its subsidiary undertakings.

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

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

A listen only function will also be available.

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Access code: 65907695

Further copies of this announcement can be downloaded from the Barratt Developments corporate website www.barrattdevelopments.co.uk or by request from the Company Secretary's office at: Barratt Developments PLC, Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF.

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Chairman's Statement

A year of strong performance

This has been another year of excellent progress for the Group, with a strong financial and operational performance. We have grown completion volumes in a disciplined way, significantly grown profit and continued our delivery of industry leading build quality and customer service.

Whilst the outcome of the EU referendum has increased levels of economic and political uncertainty, the Group is in a strong position, with a substantial year end net cash balance, healthy forward sales position and an experienced management team. The Board will continue to monitor the market and economy and take appropriate action where necessary. The wider market for new homes remains healthy across Britain, with a long term undersupply of new homes, strong government support to the sector and a liquid mortgage market.

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

Operationally, we have delivered our highest completion volumes for eight years, increasing completions by 5.3% to 17,319 homes, a performance that highlights the reliability and delivery capability of our housebuilding operations. This performance is particularly impressive, given it accompanies our industry-leading quality and customer service standards.

As a result of this excellent operating performance, we were able to increase profit before tax by 20.7% and we ended the year with a net cash balance of £592.0m.

The Group's fast asset turn model, supported by a relatively short consented land bank, the use of deferred payment terms, high levels of standard products and the ability to sell through both Barratt and David Wilson Homes on larger sites, ensures a focus on driving return on capital employed. We made further progress in the year, driving return on capital employed up to 27.1%, an increase of 3.2 percentage points.

Investing in land

The land market remained attractive throughout FY16 in terms of land availability at acceptable prices and we have secured excellent development opportunities that meet or exceed our minimum hurdle rates of 20% gross margin and 25% site ROCE. In the year we approved £1,095.6m of operational land for purchase, which we expect to equate to 24,387 plots. Our long term targets for land are to hold 3.5 years of owned and consented land and a further 1.0 year of controlled land. This strong performance helped us to end the year with 3.4 years of owned and consented land and a further 1.1 year of controlled land: 4.5 years in total (2015: 4.5 years).

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

Housing policy

The UK Government continues to recognise the need to see more homes built across the country as evidenced by its policies to improve land availability, planning and support for buyers.

By increasing the number of homes that we are building, in a disciplined way, we are not only playing our part in reducing the housing shortage but are also generating significant economic activity, creating jobs and enhancing communities. During the year we estimate that we supported over 55,000 jobs either directly, indirectly or induced.

Delivering returns for our shareholders

Our dividend plan was announced in September 2014 and aimed to deliver attractive future cash returns through an ordinary dividend of one-third of earnings and a special dividend, over three years, of £400m in aggregate.

As a result, the Board is pleased to propose a final dividend of 12.3 pence per share (2015: 10.3 pence per share). Under our Capital Return Plan, special dividends are proposed in addition to ordinary dividends with the second special dividend of £125.0m to be paid in November 2016, which equates to 12.4 pence per share.

The total proposed capital return for the year is therefore 30.7 pence per share (2015: 25.1 pence per share).

	Year ended 30 June 2016	Year ended 30 June 2015
Capital returns for the financial year		
Interim ordinary dividend per share (pence)	6.0	4.8
Final ordinary dividend per share (pence)	12.3	10.3
Special dividend per share (pence)	12.4	10.0
Total capital return per share (pence)	30.7	25.1

Capital Return Plan^A	Ordinary dividend £m	Special dividend £m	Total Capital Return £m	Total pence per share
Paid to date^B	281	100	381	38.2p
Proposed payment				
November 2016	123 ^D	125	248	24.7p ^D
Year to November 2017	159 ^{C, D}	175	334	33.2p ^D
Total proposed payment	282^{C, D}	300	582	57.9p^D
Total Capital Return Plan	563	400	963	96.1p^D

^A All ordinary and special dividends are subject to shareholder approval. The second special dividend will be subject to shareholder approval at the Annual General Meeting in November 2016 and subsequent special dividends will be subject to shareholder approval.

^B Comprises FY14 final dividend of 7.1 pence per share (£70m), FY15 interim dividend of 4.8 pence per share (£48m), FY15 final dividend of 10.3 pence per share (£103m), FY15 special dividends of 10.0 pence per share (£100m) and FY16 interim dividend of 6.0 pence per share (£60m).

^C Based on Reuters consensus estimates of earnings per share of 47.5 pence for FY17 as at 2 September 2016 and applying a three times dividend cover in line with previously announced policy.

^D Based upon 30 June 2016 share capital of 1,003,607,066 shares for proposed payments.

Our employees

The outstanding progress made during the year would not have been possible without the capability and dedication of our employees whom I would like to thank on behalf of the board for their contribution.

We are delighted that our site managers were awarded 79 NHBC Pride in the Job Awards. This is the twelfth year in succession that we have secured more Pride in the Job Awards than any other housebuilder.

We are also very pleased that we have maintained the Home Builders Federation maximum five star rating for the seventh consecutive year, indicating that 90% of our homeowners would recommend us to a friend. This is a fantastic achievement and reflects the strength of our sales and customer service teams.

The Board

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

David Thomas, who joined us as Group Finance Director in 2009, succeeded Mark Clare as Chief Executive on 1 July 2015.

Neil Cooper joined the Board on 23 November 2015 as Chief Financial Officer. Neil was previously Group Finance Director of William Hill PLC and was Group Finance Director of Bovis Homes Group PLC from 2007 until 2010.

After eight years' distinguished service to the Board, Mark Rolfe will step down from his position as a Non-Executive Director of the Company with effect from the conclusion of the forthcoming AGM to be held in November 2016. Mark will also stand down as the Senior Independent Director and Chairman of the Audit Committee on the same date.

Richard Akers will replace Mark Rolfe as the Senior Independent Director with effect from the conclusion of the Group's AGM in November 2016. Richard has been a Non-Executive Director of the Group since 2012 and is also Chairman of the Remuneration Committee.

The Board appointed Jock Lennox as a Non-Executive Director of the Company with effect from 1 July 2016. Jock also joined the Audit, Nomination and Remuneration Committees with effect from the same date and will succeed Mark Rolfe as Chairman of the Audit Committee from the conclusion of the 2016 AGM.

The Board is confident that the Executive Directors - David Thomas, Steven Boyes and Neil Cooper - supported by an experienced and talented Senior Management team, will continue to lead the Group effectively.

John Allan

Chairman

6 September 2016

Chief Executive's Statement

Our results

The Group traded successfully throughout the financial year, delivering a strong performance. We made a record profit before tax of £682.3m, up 20.7% on the prior year (2015: £565.5m), and our highest ROCE in ten years at 27.1% (2015: 23.9%).

We have also significantly strengthened our balance sheet, ending the year with net cash of £592.0m (2015: £186.5m) and with net tangible assets¹ of £3,118m (2015: £2,819m).

£m unless otherwise stated	Housebuilding	Commercial	Total
Total completions including JV's (plots)	17,319	-	17,319
Revenue	4,153.3	81.9	4,235.2
Gross margin (%)	19.1%	10.3%	18.9%
Profit from operations	662.4	6.0	668.4
Operating margin (%)	15.9%	7.3%	15.8%
Share of post-tax profit/(loss) from joint ventures and associates	72.4	(0.3)	72.1

¹ Group net assets less other intangible assets and goodwill

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

We saw good consumer demand across our regions throughout our financial year, with some slowdown in the higher value London market. Throughout the year, the mortgage market remained positive, with increased competition amongst lenders and new market entrants resulting in good availability of attractive mortgage finance for our customers.

The sales rate in the year was 0.69 (2015: 0.64) net private reservations per active outlet per week, with a sales rate in the second half of 0.72 (2015: 0.70) net private reservations per active outlet per week. During the year, we operated from an average of 365 active outlets (2015: 380).

In London, we have seen strong demand at price points up to £600,000, reflecting the benefit of the increase in the Help to Buy (Equity Loan) qualifying value limit to 40% in London. Above this price point, sales rates have slowed.

We delivered our highest completion volumes for eight years, being 17,319 units including JV's (2015: 16,447). Private completions increased by 3.5% to 13,198 (2015: 12,746), affordable completions were 2,707 (2015: 2,853), and JV completions in which the Group had an interest were 1,414 (2015: 848).

We continue to increase the proportion of completions that are on more recently acquired higher margin land and these accounted for 86% (2015: 76%) of the total in the year.

Our total average selling price ('ASP') increased by 10.5% to £259,700 (2015: £235,000) in the financial year with our private average selling price increasing by 10.4% to £289,800 (2015: £262,500). The year on year increase predominately reflects mix changes, with the average size of total completions rising by 4.6% from 1,013 to 1,060 sq ft and with the selling price per square foot benefiting from locational improvement and underlying house price inflation. Affordable average selling price increased by 0.8% to £113,200 (2015: £112,300) reflecting changes in mix, with affordable completions representing 17% (2015: 18%) of total completions (excluding JV's).

Our JV's have performed well and our share of profits from JV's in the year for the housebuilding business increased to £72.2m (2015: £45.6m). As at 30 June 2016 we were selling from 11 (2015: 16) JV outlets. We expect our share of profits from JV's to be around £45m in FY17.

Housing policy

The UK Government recognises the need for more new homes to be built, given ongoing levels of household formation and historic undersupply, as evidenced by its policies to improve land availability, planning and support for buyers. In this regard, we noted in July this year the publication of the most recent DCLG publication updating household formation rate projections for England: now estimated at 210,000 per year through the period 2014-2039.

We were also pleased to see the extension of the Help to Buy (Equity Loan) programme in England through to 2021, as well as the increase in February 2016 of the Government's equity loan to 40% in London. Help to Buy (Equity Loan) provides support on house purchases up to £600,000 in England with equivalent support at lower house values in

Scotland and Wales. Our customers, especially first time buyers, have found this a very attractive proposition with 32% (2015: 31%) of our total completions (excluding JV's) using the scheme during the year. In FY16, 95% of the private homes (including JV's) that we completed had a selling price below £600,000. In FY17 we expect this to be around 93%, reflecting our forecast London mix.

Increasing our housing supply

With housing demand remaining strong, we have continued to invest, in a disciplined way, to increase housing production, with over £4.8bn approved for the purchase of over 93,400 plots of land over the last five years. There remains a long term housing shortage of all tenures that can only be addressed through additional supply; we are committed to playing a leading role in addressing this issue without compromising our operational or financial strength.

Over the last five years we have built more than 75,000 homes (including JV's) of which over 13,600 were affordable homes (including JV's) sold to registered providers and we have invested in our employees, including in FY16 268 new apprentices, trainees, graduates and undergraduates to further expand our skilled workforce, enabling further delivery of supply.

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 enabler of 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 meet or exceed our minimum hurdle rates of 20% gross margin and 25% site ROCE². In the period, we approved the purchase of £1,095.6m (2015: £957.0m) of land, equating to 130 sites (2015: 114 sites) and 24,387 plots (2015: 16,956 plots).

We continue, under normal market conditions, 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 a rapid asset turn. At 30 June 2016 we achieved this target with a 4.5 years land supply (excluding JV's) comprising 3.4 years owned land and 1.1 years controlled land, with the owned land bank including land with both outline and detailed planning consents.

Following our success with planning over the past 12 months we are very well positioned, with 99.7% of expected FY17 completions (2015: 100% of FY16 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 margin. Efficiency can be improved through increasing throughput, as we have done in the year, but we are also focused on improving efficiency through business simplification including further standardisation of our layouts and product range and through driving process efficiency across key aspects of our business, with wide-ranging reviews underway, for example in the areas of commercial, construction and sales and marketing.

We have a robust and carefully managed supply chain with 90% of the house build materials sourced by our centralised procurement function denominated in Sterling. We have effectively sourced the raw materials required to underpin our controlled volume growth and the cost of c.75% of our centrally procured materials is now fixed until the end of FY17.

Whilst we have seen an increase in the supply of skilled sub-contractors over the past year, there remains an industry shortage in the UK, with increases in labour costs remaining the largest driver of overall build cost inflation. We are currently well placed with the necessary labour to meet our operational and quality requirements. We are also seeking to increase efficiency through the use of timber frame on over 1,300 plots during FY17 and through the use of alternative offsite manufacturing options.

We expect that overall build cost inflation for FY17 will be c.2-3%.

² Site ROCE on land acquisition is calculated as site operating profit (site trading profit less sales overheads less allocated administrative overheads) divided by average investment in site land, work in progress and equity share.

Commercial developments

Greater occupier confidence in the second half of calendar year 2015, particularly from within the logistics sector, encouraged institutional funding back into the market enabling us to enter into agreements to commit to over 1 million sq. ft. of speculative forward funded logistics buildings.

During the year we successfully secured a planning permission for a Regional Distribution Centre on a parcel of strategic land that we subsequently sold to a supermarket group. We also completed the final phase of our retail and leisure scheme at Hinckley. This final phase is 80% let and further transactions are in legals.

As we move forward we will continue to carefully manage our risk profile by seeking to secure forward commitments; accordingly our activity levels are very much determined by securing occupiers up front, which in turn is governed to a large extent by sentiment and occupier confidence.

Commercial development revenue was £81.9m (2015: £57.2m) with an operating profit of £6.0m (2015: £6.1m).

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

Our strategic objectives

Our strategic objectives remain clear – maintain disciplined growth, improve our key financial metrics and continue to deliver attractive cash returns.

Our key financial metrics

Our gross margin was broadly flat at 18.9% (2015: 19.0%) with an improvement in margin arising from the reduction in the mix of legacy assets, offset by adverse business mix and other net impacts. Operating margin grew by 0.5 ppts, from 15.3% to 15.8%, reflecting improved overhead leverage levels and an absolute fall in net administrative expenses.

We have made further good progress against our ROCE objective in the year with ROCE increasing by 3.2 ppts to 27.1% (2015: 23.9%). This is benefiting from the absolute reduction in legacy assets: the disposal of £85.4m of loans arising from equity share programmes early in our second half for £82.9m of cash has contributed. We have also been successful in driving business growth levels ahead of growth in working capital levels, reflecting our effective balance sheet discipline. It remains a core part of our strategy to drive ROCE performance further, in line with our fast asset turn model.

We remain committed to delivering our FY17 targets of at least 20% gross margin and at least 25% ROCE.

Maintaining an appropriate capital structure

As at 30 June 2016 the Group had a net cash balance of £592.0m (2015: £186.5m), reflecting a strong financial year. This was ahead of expectations, partly driven by our completion volumes and the timing of land payments. We also benefited from timings of other working capital payments.

We seek to defer payment for new land where possible to drive a higher ROCE, and land creditors as at 30 June 2016 were 38% of the owned land bank (30 June 2015: 35%).

The Group continues to maintain a balanced capital structure with land and long-term work in progress funded by shareholders' funds and land creditors. Net tangible assets were £3,118m (£3.11 per share) of which land net of land creditors and work in progress totalled £3,180m (£3.17 per share).

We continue to secure attractive deferred payment terms on land and expect land creditors as a proportion of the owned land bank to be around one-third at 30 June 2017, in line with our operating framework.

Dividend

Our strong financial performance supports the Group's Capital Return Plan and dividend policy. We are delighted to propose a final dividend of 12.3 pence per share (2015: 10.3 pence per share) resulting in a total ordinary dividend for the year up 21% to 18.3 pence per share (2015: 15.1 pence per share) and the second of our special dividends totalling £125m, equivalent to 12.4 pence per share, payable in November 2016. This reflects our ordinary dividend policy of the dividend being covered three times by earnings, supplemented by the special dividends to November 2017 totalling £400m.

Health and safety

We were deeply saddened that two employees of our sub-contractors lost their lives in separate incidents on two of our sites during the year. Both of these incidents have been thoroughly investigated by our internal health and safety (SHE) team. We are fully co-operating with the Health and Safety Executive during their ongoing investigations into each of the incidents.

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 upon our sites. In the year, our reportable incident rate has increased slightly with 385 (2015: 381) reportable incidents per 100,000 employees.

Our 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

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 seven consecutive years, with over 90% of customers being prepared to recommend us to a friend.

We continue to improve the quality and efficiency of the way in which we deal with customers through the sales process. During the period we invested in our customer service systems to speed up and improve the efficiency of our service.

We worked with suppliers, customers and industry experts to produce the 'Future Home Report' to inform design direction in terms of customer trends and preferences. As well as carefully defining customer segments and their design preferences, our project with The Architects' Journal to select new house design features to meet these requirements concluded in the year.

Great Places

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

During the period we made significant progress in terms of securing the right operational land and increased investment in longer term strategic sites.

We continue to focus upon design and all of our developments are reviewed against our 'Great Places' design standard at the pre-application stage. 'Great Places' enables us to meet Building For Life 12, the industry standard for the design of new housing developments.

Leading Construction

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

We are implementing a number of key initiatives in terms of increasing construction efficiency, for example we have built 988 timber frame homes in FY16.

Our site managers continue to lead the industry and in 2016 we won 79 NHBC Pride in the Job awards. This was the 12th year in succession that our site managers have won more of these awards than any other housebuilder.

Investing in our People

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

We have continued with our graduate and apprentice programmes, with 268 employees joining us on these programmes in this period.

We also continue to support the wider industry focus on addressing the skills shortage.

Current trading

The sales performance of the Group has been positive, with average weekly net private reservations since 1 July 2016 of 267 (FY16: 265), resulting in net private reservations per active outlet per average week of 0.75 (FY16: 0.71). Regionally, trading conditions in the North and Midlands have been stronger than those seen in the South.

Our total forward sales (including JV's) as at 4 September 2016 were up 4.1% on the strong prior year figures at a value of £2,416.5m (6 September 2015: £2,321.9m), equating to 11,364 plots (6 September 2015: 10,755 plots).

Forward sales	4 September 2016		6 September 2015		Variance
	£m	Plots	£m	Plots	%
Private	1,545.9	4,723	1,332.3	4,788	16.0
Affordable	707.4	5,957	512.2	4,487	38.1
Sub total	2,253.3	10,680	1,844.5	9,275	22.2
JV	163.2	684	477.4	1,480	(65.8)
Total	2,416.5	11,364	2,321.9	10,755	4.1

We expect FY17 wholly owned completions to grow modestly versus the comparable period, with around 700 completions delivered through our JV portfolio.

Outlook

We have started the new financial year in a good position, with £592.0m year end net cash, a healthy forward order position and an experienced management team in place. We have industry leading quality and customer service, and talented employees. There remains an under-supply of new homes, strong government support including Help to Buy (Equity Loan), and a mortgage market willing to lend. As a result, we remain confident in the underlying fundamentals of both the housing sector and our business.

Our sales trends since the start of the new financial year have been encouraging, and underpin an increasingly 'business-as-usual' stance whilst we continue to monitor consumer, economic and other lead indicators closely following the EU referendum vote.

I am proud to lead our first class team and we are all determined to build on this year's outstanding operational and financial performance in the future, as well as delivering on our targets for key financial metrics and our capital return plans in FY17.

David Thomas
Chief Executive
6 September 2016

Priorities and principles in action

Building excellence by putting customers first

Our 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.

KPI

- HBF 5 Star Homebuilder¹

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

Key highlights

- Only national housebuilder to be awarded HBF 5 Star status for seven consecutive years
- Continued investment in customer service
- Mortgage market remains good

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 by 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.

Affordability of homes and accessibility to home ownership

We build a wide range of product, from homes for first time buyers to larger family homes. Our private average selling price for the year was £289,800 (2015: £262,500); £275,000 (2015: £246,800) outside of London.

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

We delivered 2,707 (2015: 2,853) affordable homes built for registered providers, equating to 17% (2015: 18%) of our total completions (excluding JV's) in the year. We have a team which engages with housing association partners at local, regional and national levels.

Customer satisfaction

We place customers at the heart of everything we do, with their satisfaction being a key performance indicator at all levels of management. All of our team are responsible for delivering customer satisfaction and we 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 are pleased that we have increased our completions delivery, including JV's, by 5.3% during the year whilst retaining our HBF 5 Star status for the seventh successive year, the only national housebuilder to do so. We regularly review the results from the NHBC customer survey with the insights gained being used to aid our decision making.

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

Increasing customer insight

To ensure that we continuously reflect our customers' needs we have worked with suppliers, customers and industry experts to produce the 'Future Home Report' to inform design direction in terms of customer trends and preferences. As well as carefully defining customer segments and their design preferences, our project with The Architects' Journal to select new house design features to meet these requirements concluded during this financial year.

Building excellence by developing great places

Our 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.

KPI

- Owned and controlled land bank 4.5 years (2015: 4.5 years)
- Land approved for purchase 24,387 plots (2015: 16,956 plots)

Key highlights

- Land market remained attractive throughout FY16
- Transformation of our land bank to more recently acquired higher margin land is well progressed
- Detailed or outline planning permission on 99.7% of FY17 expected completions and 94.2% of FY18 expected completions

The challenge

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

Securing the best land

We continue to see high quality land opportunities that at least meet our required hurdle rates of a gross margin of 20% and a site ROCE of 25%¹.

Land approved for purchase	Year ended 30 June 2016	Year ended 30 June 2015
Total	£1,095.6m	£957.0m
Total (plots)	24,387	16,956

¹ 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.

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

We continue, under normal market conditions, 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 rapid asset turn. At 30 June 2016 we achieved this target with a 4.5 years land supply (excluding JV's) comprising 3.4 years owned land and 1.1 years controlled land, with the owned land bank including land with both outline and detailed planning consents.

Our land bank

The transformation of our land bank from older, lower margin land to more recently acquired higher margin land is well progressed. As at 30 June 2016, 93% (30 June 2015: 90%) of our owned and controlled land is higher margin, newer land. On the 232 sites that we have acquired and completed since 2009 we have achieved an average site gross margin of 20.9%, and an average site ROCE of 37.0%, demonstrating sustained delivery above our hurdle rates on this more recently acquired land.

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 4,558 plots (2015: 5,239 plots) were transferred from strategic land to our owned land bank and 22% of our completions (2015: 17%) during the year were on strategically sourced land. We remain on track to deliver our target of c.25% of completions to be delivered from strategic land.

We use land creditors to defer payments for land acquisition where possible to drive a higher ROCE and as at 30 June 2016, the land creditor position totalled £1,086.8m (30 June 2015: £999.0m) representing 38% (30 June 2015: 35%) of the owned land bank. We are targeting land creditors at around one-third of the owned land bank for FY17.

Our land bank	30 June 2016	30 June 2015
Owned and unconditional land bank (plots)	53,849	51,640
Conditionally contracted land bank (plots)	17,502	18,883
Owned and controlled land bank (plots)	71,351	70,523
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)	5,309	6,325
Strategic land (acres)	c.11,700	c. 11,100
Land bank carrying value	£2,880.2m	£2,826.1m

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 prompt progress. A faster planning process will enable housing supply to increase faster.

We have maintained good momentum in achieving planning consents, and during the year we secured planning on 20,249 plots (2015: 17,092 plots). We now have full or outline planning permission in place for 99.7% of our expected completions in FY17 and 94.2% of expected production in FY18.

Designing great places

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

We are focused upon 'placemaking' throughout our business and use our internal 'Great Places' design standards, assessing every development against these at the pre-application stage. Our 'Great Places' design standards are aligned to the requirements of Building for Life, and we run annual awards to recognise our best developments. We also review our development layouts to ensure they achieve both design quality and efficient land use, and have an internal urban design team to provide specialist expertise.

Building excellence by leading construction

Our Priority

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

KPI

- Total completions including joint ventures 17,319 units (2015: 16,447 units)

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

The challenge

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

Delivering high quality homes

We put customer satisfaction at the heart of our construction processes with a focus upon getting it right first time, which also drives operating efficiencies in the build process. Our site managers continue to lead the industry, winning 79 NHBC Pride in the Job Awards. This is the 12th consecutive year that we have won more of these awards than any other housebuilder.

Partnering with our supply chain

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

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

We purchase substantial amounts of timber and have implemented a sustainable procurement and timber sourcing policy. Since December 2013, all timber and timber products that we purchase via group agreements are FSC/PEFC certified and originate from well managed forestry sources. Further information is available in the Sustainability Report for 2016.

Innovating to improve efficiency

The majority of our homes are built with traditional brick and block construction, although we are increasing the use of timber frame on some of our sites and have built 988 homes using this method during FY16. We have also completed a successful small scale trial of Light Gauge Steel Frames which are lighter, safer and quicker to put together than traditional construction methods. In addition, as the parts are manufactured offsite, the level of waste generation is reduced. We will be undertaking a larger scale trial of this technology in FY17.

Another offsite technology that we have successfully trialled in FY16 is the use of prefabricated utility cupboards, with pre-installed features such as boilers, storage tanks and heating controls. These take 1-2 hours to install rather than a whole day, enabling us to make better use of skilled tradespeople and increase build speed.

We have engaged with our suppliers to find, understand and consider innovative products and services including foundation systems, roofing and mechanical and electrical solutions.

We are also researching smart technologies and their use in future homes to improve the ability of customers to save energy and have undertaken divisional pilots of smart thermostats, which give customers the ability to remotely control their heating systems. We will be extending their availability to customers in FY17.

Building excellence by investing in our people

Our 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.

KPI

- Upper quartile employee engagement at 77% (2015: 78%)¹

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

Key highlights

- Focus upon employee retention
- Highly engaged workforce
- Committed to providing an inclusive working environment

The challenge and our response

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

Attracting people to our industry

Together with other housebuilders we are working with the HBF, the Construction Industry Training Board and schools, universities and the West Midlands University Technical College ('UTC') upon targeted projects to help address the industry-wide skills shortage.

Employee retention

During the year employee turnover reduced by 2% to 17% (2015: 19%) reflecting our focus in this area. However, 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 effective.

Developing talent

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

We continue to invest in and develop our 'Future Talent' strategy, recruiting graduates, apprentices and paid interns into our business. We have local Apprentice Champions who oversee the apprenticeship experience from attracting new trainees, to working with our sub-contractors and aiding our apprentices' development.

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

Engaging our people

As a business we believe that an engaged workforce is critical to our success. We conduct an annual employee engagement survey in order to gain valuable insight into how our people feel about working for us. We are delighted that in our annual employee engagement survey we achieved our upper quartile target with an index of 77%, which is 5% above the UK employers' norm of 72%. We develop and implement action plans following each survey to strengthen our business and to continue our position of being an employer of choice.

We recognise the outstanding contributions of our people through quarterly awards for sales staff, apprentices and site managers as well as through individual and team excellence awards.

Diversity and inclusion

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

The table below shows the number of men and women employed, as at 30 June 2016, across our business split between PLC Directors, Senior Managers and Employees.

The diversity policy relating to the appointment of PLC Directors is set out on page 65 of the Annual Report and Accounts.

	30 June 2016					30 June 2015				
	Men		Women		Total	Men		Women		Total
	Number	%	Number	%	Number	Number	%	Number	%	Number
PLC Directors	7	78	2	22	9	6	75	2	25	8
Senior Managers	251	87	36	13	287	250	87	37	13	287
Employees	4,103	69	1,810	31	5,913	3,875	68	1,801	32	5,676
Total workforce	4,361	70	1,848	30	6,209	4,131	69	1,840	31	5,971

After a successful pilot last year, we have started diversity and inclusion training across our business, which we will continue to rollout during FY17. Our 2015 graduate cohort have also been promoting a campaign called 'Built by Both' to encourage women into the industry and have held a number of work experience days for women studying at universities.

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.

Keeping people safe

Our principle

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% (2015: 96%)¹
- Reportable injury incidence rate per 100,000 employees including sub-contractors 385 (2015: 381)

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

Key highlights

- Achieved target health and safety compliance rate
- Positive external recognition for our performance from NHBC and British Safety Council

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 seek to maintain stringent safety standards and have a continuous focus on health and safety. 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.

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 (Occupational Health and Safety Management Systems) 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 6,184 (2015: 6,269) monitoring visits and achieved an average compliance rate of 96% (2015: 96%). We also maintained our 5 Star rating from the British Safety Council for the second year in succession.

Our overall aim is to have an injury free working environment, and whilst we believe that all injuries are avoidable, our objective for the year was to have an improvement in our reportable Injury Incidence Rate ('IIR'). During the year, our IIR increased slightly to 385 (2015: 381) 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 more awards than any other housebuilder, with nine commendations and five going on to receive the highly commended status.

We were deeply saddened that two employees of our sub-contractors lost their lives in separate incidents on two of our sites during the year. Both of these incidents have been thoroughly investigated by our internal health and safety (SHE) team. We are fully co-operating with the Health and Safety Executive during their ongoing investigations into each of the incidents.

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

- Continue to work with a variety of partners to bring forward land for development
- Continue to invest in the relationship with our suppliers and sub-contractors

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 try and ensure we are regarded as the housebuilder of choice by the local landowners and agency community.

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

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

- Estimated that our activities support over 55,000 jobs directly, indirectly or induced in the economy
- Work closely with local authorities
- Actively engage with local communities

The challenge and our response

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

As a Group we contribute social and economic benefits to the communities in which we are working, which are far-reaching and long-lasting. By building more homes we are generating substantial amounts of economic activity and we estimate that during the year we supported over 55,000 jobs either directly, indirectly or induced. The homes we build for new communities are high quality: for example, the average size of new private homes sold in the year by Barratt was 1,114 sq ft, 12% larger than the average UK home.

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

Engagement with local communities to seek to address any impact that our developments may have on the environment is also important. By holding public consultations, we invite stakeholders to talk to our specialist planners and architects about their concerns and aspirations for our developments. We believe that a genuinely collaborative approach will deliver more land and housing and in this regard 62% (2015: 54%) of our active developments have held a public consultation.

We continue to support and promote a wide range of charitable giving and community volunteering initiatives with each division focusing on the charitable activities that best reflect the needs of their local community and the issues that impact upon their employees. We have launched a Charity of the Year Scheme, where we match every pound raised for each division's charity of the year up to a set maximum. Our employees have raised £603,776 for charity this year, including £46,402 donated by Barratt through the Charity of the Year Scheme. In addition we have launched a volunteering policy whereby every employee can take one days paid leave to volunteer for a charity of their choice.

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.

KPI

- 95% of construction waste segregated on site for recycling (2015: 95%)
- Carbon intensity reduced by 5.5% to 2.23 tonnes CO₂ per 1,000 Sq ft (2015: 2.36 tonnes)

Key highlights

- Focused on waste reduction through reducing waste generation

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. All of our divisions are certified to ISO 14001, the environmental management standard.

Designing out construction waste

During the year, we have been focussing upon waste elimination and seeking to significantly reduce both waste tonnage and costs, rather than increasing recycling rates.

A key to waste reduction is designing waste out and one area where we have been successful is plasterboard. We engaged with other members of our industry and worked with our supplier to re-size plasterboard to meet the requirements of modern builds. This means that 100mm no longer needs to be cut off every plasterboard section, which reduces our costs, and is expected to cut our waste by 1,300 tonnes each year. We segregate waste for recycling as standard across our sites and have achieved a recycling rate of 95% (2015: 95%) for the year.

Being energy efficient and reducing emissions

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

Greenhouse gas emissions (Tonnes CO _{2e})	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
Scope 1 emissions	20,211	18,224	17,315
Scope 2 emissions	10,804	11,843	14,053
Scope 3 emissions	9,303	9,150	8,981
Total	40,318	39,217	40,349
Tonnes of emissions per 1,000 sq. ft.	2.23	2.36	2.78

Our operational greenhouse gas emissions have reduced to 2.23 (2015: 2.36) tonnes of emissions per 1,000 sq. ft. this year. We continue to drive awareness and seek to improve energy and greenhouse gas performance across our business.

Enhancing habitats, biodiversity and local environments across our developments

During the year we built 48% (2015: 57%) of our homes on brownfield sites. We have continued our national partnership with the RSPB, the UK's largest nature conservation charity. Our 'Great Places' guide includes ecology and biodiversity to help ensure that they are considered from project inception through to completion. During the year within our developments, 521 (2015: 634) hectares of open space were created and 638,136 (2015: 554,819) trees or shrubs were planted or retained.

Ensuring the financial health of our business

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

- Profit before tax £682.3m (2015: £565.5m)¹
- Earnings per share 55.1 pence (2015: 45.5 pence)²
- Return on capital employed 27.1% (2015: 23.9%)²
- Total shareholder return² for the three years ended 30 June 2016 88.7% (three years ended 30

June 2015: 362.9%)

- Year end net cash £592.0m (2015: £186.5m)
- Land creditors as a percentage of owned land bank 38% (2015: 35%)

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

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

Key Highlights

- Continued to build profitability, increasing operating margin by 0.5 ppts to 15.8%
- Achieved a 3.2 ppt increase in ROCE to 27.1%
- On track for our targets of at least 20% gross margin and at least 25% ROCE
- Maintained an appropriate capital structure

Our performance

Our strategic objectives remain to maintain disciplined growth, deliver on our targets for key financial metrics and continue to deliver attractive cash returns.

We have made significant progress on these objectives during the year, achieving a 5.3% growth in completion volumes, a 20.7% increase in profit before tax, a 3.2 ppt improvement in ROCE to 27.1% and are proposing a 22.3% increase in total dividend per share, including special dividend, to 30.7 pence per share for the financial year.

Profit for the year

The improved performance in our housebuilding business resulted in an operating profit of £668.4m (2015: £576.8m) at an operating margin of 15.8% (2015: 15.3%).

The finance charge for the year was £58.2m (2015: £57.0m), consisting of a cash finance charge of £24.1m (2015: £27.4m) and £34.1m (2015: £29.6m) of non-cash charges: the main component of the non-cash charge relates to the unwind of the discount factor from deferred terms land creditors.

Profit before tax for the year was £682.3m (2015: £565.5m), the highest profit the Group has ever achieved. The increase of £116.8m was driven by increased completion volumes, growth in average selling prices, an increased contribution from joint ventures and from an increase in sundry income.

The tax charge for the year was £132.0m (2015: £115.2m) at an effective tax rate of 19.3% (2015: 20.4%). The rate of tax assessed for the year is slightly below the standard effective rate of corporation tax of 20.0% (2015: 20.75%) mainly due to land remediation relief and the tax rate reduction on deferred tax.

Profit after tax for the year was £550.3m (2015: £450.3m), resulting in a basic earnings per share of 55.1p (2015: 45.5p).

Return on capital employed

The Group's fast asset turn 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 FY16 ROCE increased by 3.2 ppts to 27.1% (2015: 23.9%). This growth benefited from reductions in legacy assets following the disposal of £85.4m of our available for sale assets in the second half of 2016 together with rates of profit growth running ahead of working capital growth rates.

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 £652.9m (2015: £184.0m) of cash inflow from operating activities and £12.7m of cash inflow from investing activities. This was in part applied to £268.0m of financing activities: of which £263.2m related to dividends paid during the year. Together with opening cash of £360.4m, the Group's net cash increase in the year of £397.6m led to closing cash of £758.0m and net cash at 30 June 2016 of £592.0m (2015: £186.5m). At 30 June 2016 land creditors were 38% (2015: 35%) of the owned land bank.

The factors behind the strong growth in cash inflow from operating activities include increased profit from operations, £82.9m of cash inflow from the disposal of the bulk of our available for sale assets and favourable movements in trade and other payables.

As we make scheduled payments on agreed new land and build work in progress to deliver spring 2017 completions, we expect net cash at 31 December 2016 to be in line with normal seasonal trends (31 December 2015: £24.2m). It remains our objective for FY17 to maintain an appropriate capital structure with year end net cash and land creditors at around one-third of the owned land bank.

Capital Return Plan

The Board proposes to pay a final ordinary dividend of 12.3 pence (2015: 10.3 pence) per share for the financial year ended 30 June 2016, which subject to shareholder approval, will be paid on 21 November 2016 to shareholders on the register at the close of business on 28 October 2016. Together with the interim ordinary dividend of 6.0 pence per share, which was paid in the year, this gives a total ordinary dividend for the year of 18.3 pence per share (2015: 15.1 pence per share). The ordinary dividend was covered around three times by basic earnings per share.

Under the special cash payment programme the Board is proposing a payment of £125.0m (12.4 pence per share), which subject to shareholder approval, will be paid by way of a special dividend on 21 November 2016 to shareholders on the register at the close of business on 28 October 2016. The Board anticipates a further payment of £175.0m to be proposed with our FY17 results payable in November 2017.

In total, the Capital Return Plan is expected to return around £963m of cash through ordinary dividends (based on consensus earnings) and special dividends to the Company's shareholders over the three years ending November 2017.

Consolidated Income Statement

Year ended 30 June 2016

	Notes	2016 £m	2015 £m
Continuing operations			
Revenue	2.1	4,235.2	3,759.5
Cost of sales		(3,434.8)	(3,045.2)
Gross profit		800.4	714.3
Administrative expenses		(132.0)	(137.5)
Profit from operations	2.1	668.4	576.8
Finance income	5.2	5.9	7.6
Finance costs	5.2	(64.1)	(64.6)
Net finance costs	5.2	(58.2)	(57.0)
Share of post-tax profit from joint ventures		71.9	45.4
Share of post-tax profit from associates		0.2	0.3
Profit before tax		682.3	565.5
Tax	2.4	(132.0)	(115.2)
Profit for the year		550.3	450.3
Profit for the year attributable to the owners of the Company		550.3	449.4
Profit for the year attributable to non-controlling interests		-	0.9
Earnings per share from continuing operations			
Basic	2.2	55.1p	45.5p
Diluted	2.2	54.3p	44.6p

Statement of Comprehensive Income

Year ended 30 June 2016

	Notes	Group	
		2016 £m	2015 £m
Profit for the year		550.3	450.3
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit pension scheme	6.1	(9.0)	(11.5)
Fair value adjustment on available for sale financial assets	3.2	0.5	5.1
Tax credit relating to items not reclassified		1.7	1.3
Total items that will not be reclassified to profit or loss		(6.8)	(5.1)
Items that may be reclassified subsequently to profit or loss			
Amounts deferred in respect of effective cash flow hedges	5.2	6.3	(0.5)
Amounts reclassified to the Income Statement in respect of hedged cash flows	5.2	(1.1)	2.9
Tax charge relating to items that may be reclassified		(1.2)	(0.5)
Total items that may be reclassified subsequently to profit or loss		4.0	1.9
Total comprehensive income recognised for the year		547.5	447.1
Total comprehensive income recognised for the year attributable to the owners of the Company		547.5	446.2
Total comprehensive income recognised for the year attributable to non-controlling interests		-	0.9

Statement of Changes in Shareholders' Equity

Group

	Share capital (note 5.5.1) £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Own shares (note 5.5.2) £m	Share-based payments £m	Retained earnings due to shareholders of the Group £m	Total retained earnings due to shareholders of the Group £m	Non-controlling interests (note 4.1) £m	Total equity £m
At 1 July 2014	98.5	214.8	1,109.0	(15.6)	(3.2)	24.6	1,917.9	1,939.3	8.0	3,354.0
Profit for the year	–	–	–	–	–	–	449.4	449.4	0.9	450.3
Amounts deferred in respect of effective cash flow hedges	–	–	–	(0.5)	–	–	–	–	–	(0.5)
Amounts reclassified to the Income Statement in respect of hedged cash flows	–	–	–	2.9	–	–	–	–	–	2.9
Fair value adjustments on available for sale financial assets	–	–	–	–	–	–	5.1	5.1	–	5.1
Actuarial losses on pension scheme	–	–	–	–	–	–	(11.5)	(11.5)	–	(11.5)
Tax on items above taken directly to equity	–	–	–	(0.5)	–	–	1.3	1.3	–	0.8
Total comprehensive income recognised for the year ended 30 June 2015	–	–	–	1.9	–	–	444.3	444.3	0.9	447.1
Dividend payments	–	–	–	–	–	–	(117.7)	(117.7)	–	(117.7)
Issue of shares	1.0	4.3	–	–	–	–	(0.7)	(0.7)	–	4.6
Share-based payments	–	–	–	–	–	11.6	–	11.6	–	11.6
Disposal of own shares	–	–	–	–	0.5	–	–	0.5	–	0.5
Transfer of share-based payments charge for exercised/lapsed options	–	–	–	–	–	(3.6)	3.6	–	–	–
Tax on share-based payments	–	–	–	–	–	1.4	9.8	11.2	–	11.2
At 30 June 2015	99.5	219.1	1,109.0	(13.7)	(2.7)	34.0	2,257.2	2,288.5	8.9	3,711.3
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

Balance Sheet

At 30 June 2016

		Group	
	Notes	2016 £m	2015 £m
Assets			
Non-current assets			
Other intangible assets		100.0	100.0
Goodwill	4.2	792.2	792.2
Property, plant and equipment		9.6	8.2
Investments in joint ventures and associates		255.9	200.0
Retirement benefit assets	6.1	8.1	5.3
Available for sale financial assets	3.2	3.8	96.8
Trade and other receivables		1.6	3.3
Derivative financial instruments - swaps	5.3	11.8	2.3
		1,183.0	1,208.1
Current assets			
Inventories	3.1	4,326.6	4,173.6
Available for sale financial assets	3.2	0.8	10.2
Trade and other receivables		149.6	158.8
Cash and cash equivalents	5.1	758.0	360.4
		5,235.0	4,703.0
Total assets		6,418.0	5,911.1
Liabilities			
Non-current liabilities			
Loans and borrowings	5.1	(171.5)	(163.3)
Trade and other payables		(629.9)	(605.9)
Deferred tax liabilities		(10.5)	(1.2)
Derivative financial instruments - swaps	5.3	(7.5)	(17.0)
		(819.4)	(787.4)
Current liabilities			
Loans and borrowings	5.1	(6.0)	(13.2)
Trade and other payables		(1,513.5)	(1,349.8)
Derivative financial instruments - swaps	5.3	(5.6)	-
Current tax liabilities		(63.3)	(49.4)
		(1,588.4)	(1,412.4)
Total liabilities		(2,407.8)	(2,199.8)
Net assets		4,010.2	3,711.3
Equity			
Share capital	5.5	100.4	99.5
Share premium		222.7	219.1
Merger reserve		1,109.0	1,109.0
Hedging reserve		(9.7)	(13.7)
Retained earnings		2,578.9	2,288.5
Equity attributable to the owners of the Company		4,001.3	3,702.4
Non-controlling interests	4.1	8.9	8.9
Total equity		4,010.2	3,711.3

Cash Flow Statement

Year ended 30 June 2016

		Group	
	Notes	2016 £m	2015 £m
Profit from operations		668.4	576.8
Depreciation		4.5	3.3
Loss on disposal of fixed assets		0.2	–
Impairment of inventories		8.6	11.7
Impairment/(reversal of impairment) of available for sale financial assets		2.1	(1.4)
Share-based payments charge		12.8	11.6
Imputed interest on deferred term payables*	5.2	(34.5)	(31.6)
Imputed interest on available for sale financial assets and interest free loans*	5.2	2.9	4.6
Amortisation of facility fees	5.2	(2.9)	(3.0)
Finance income related to employee benefits	5.2	0.4	0.4
Total non-cash items		(5.9)	(4.4)
Increase in inventories		(161.6)	(676.7)
Increase in trade and other receivables		(0.9)	(57.5)
Increase in trade and other payables		188.5	394.7
Decrease in available for sale financial assets		100.8	21.9
Total movements in working capital		126.8	(317.6)
Interest paid		(26.8)	(28.1)
Tax paid		(109.6)	(42.7)
Net cash inflow from operating activities		652.9	184.0
Investing activities:			
Purchase of property, plant and equipment		(6.1)	(5.4)
(Increase)/decrease in investments accounted for using the equity method		(11.9)	18.3
Dividends received from investments accounted for using the equity method		28.1	27.0
Interest received		2.6	2.3
Net cash inflow from investing activities		12.7	42.2
Financing activities:			
Dividends paid	2.3	(263.2)	(117.7)
(Net purchase)/disposal of own shares		(0.8)	0.5
Proceeds from issue of share capital		3.9	4.6
Loan repayments		(7.9)	(27.9)
Net cash outflow from financing activities		(268.0)	(140.5)
Net increase in cash and cash equivalents		397.6	85.7
Cash and cash equivalents at the beginning of the year		360.4	274.7
Cash and cash equivalents at the end of the year	5.1	758.0	360.4

*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 statement above.

Section 1 – Basis of preparation

1.1 Cautionary statement

The Chairman's Statement, Chief Executive's Statement and 'Priorities and principles in action' commentary contained in this Annual Results Announcement, including the principal risks and uncertainties (note 7.5), have been prepared by the Directors in good faith based on the information available to them up to the time of their approval of this report solely for the Company's shareholders as a body, so as to assist them in assessing the Group's strategies and the potential for those strategies to succeed and accordingly should not be relied on by any other party or for any other purpose and the Company hereby disclaims any liability to any such other party or for reliance on such information for any such other purpose.

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

1.2 Basis of preparation

Whilst the financial information included in this Annual Results Announcement has been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and Standing Interpretations Committee ('SIC') interpretations as adopted and endorsed by the European Union ('EU'), this announcement does not itself contain sufficient information to comply with IFRS. Full Financial Statements that comply with IFRS are included in the 2016 Annual Report and Accounts which will be circulated to shareholders in October 2016 and made available at www.barrattdevelopments.co.uk at that point.

The accounting policies adopted are consistent with those followed in the preparation of the Group's 2016 Annual Report and Accounts which have not changed significantly from those adopted in the Group's 2015 Annual Report and Accounts.

This Annual Results Announcement has been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets, derivative financial instruments and share-based payments.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, actual results may ultimately differ from those estimates. The 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 condensed consolidated financial statements are set out with the relevant notes.

1.3 Going concern

In determining the appropriate basis of preparation of the condensed consolidated financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Group's business activities, together with factors which the Directors consider are likely to affect its future development, financial performance and financial position are set out in the Chief Executive Statement and 'Priorities and principles in action' sections of this report. The material financial and operational risks and uncertainties that may have an impact upon the Group's performance and their mitigation are outlined in note 7.5 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 5.4 to these condensed consolidated financial statements.

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the 'Principal risks and uncertainties' section in note 7.5, factors that particularly affect the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for the Group's customers and interest rates.

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

In addition to these committed borrowing facilities the Group has £22.5m of financing from the Government's 'Get Britain Building' and 'Growing Places Fund' schemes. The outstanding funds are repayable between December 2016 and 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 condensed consolidated financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these condensed consolidated financial statements. For this reason, they continue to adopt the going concern basis in the preparation of these condensed consolidated financial statements.

1.4 Adoption of new and revised standards

In the year ended 30 June 2016, the Group has adopted the following standards, amendments and interpretations, none of which have had a material impact on the Group:

- Annual Improvements Cycle 2012 - 2014
- Amendments to IAS 16: Property, Plant and Equipment
- Amendments to IAS 38: Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: Accounting for the Acquisitions of Interests in Joint Operations
- Disclosure Initiative (Amendments to IAS 1)
- Amendments to IAS 27: Equity Method in Separate Financial Statements

Section 2 – Results for the year and utilisation of profits

Recognition of profit where developments are accounted for under IAS 11 'Construction Contracts' - The Group applies its policy on contract accounting when recognising revenue and profit on partially completed contracts. Revenue and costs are 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. When it is probable that the total costs on a construction contract will exceed total contract revenue, the expected loss is recognised as an expense in the Income Statement immediately. The application of this policy requires judgements to be made in respect of the total expected costs to complete for each site. The Group has in place established internal control processes to ensure that the evaluation of costs and revenues is based upon appropriate estimates.

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

2.1 Segmental analysis

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

	House- building	Commercial developments	2016 Total	House- building	Commercial developments	2015 Total
	Units	Units	Units	Units	Units	Units
Residential completions*	15,905	-	15,905	15,599	-	15,599
Consolidated Income Statement	£m	£m	£m	£m	£m	£m
Revenue	4,153.3	81.9	4,235.2	3,702.3	57.2	3,759.5
Cost of sales	(3,361.3)	(73.5)	(3,434.8)	(2,999.2)	(46.0)	(3,045.2)
Gross profit	792.0	8.4	800.4	703.1	11.2	714.3
Administrative expenses	(129.6)	(2.4)	(132.0)	(132.4)	(5.1)	(137.5)
Profit from operations	662.4	6.0	668.4	570.7	6.1	576.8
Share of post-tax profit/(loss) from joint ventures and associates	72.4	(0.3)	72.1	45.9	(0.2)	45.7
Profit from operations including post-tax profit/(loss) from joint ventures and associates	734.8	5.7	740.5	616.6	5.9	622.5
Finance income			5.9			7.6
Finance costs			(64.1)			(64.6)
Profit before tax			682.3			565.5
Tax			(132.0)			(115.2)
Profit for the year from continuing operations			550.3			450.3

*Residential completions exclude joint venture completions of 1,414 (2015: 848) in which the Group has an interest.

	House- building	Commercial developments	2016 Total	House- building	Commercial developments	2015 Total
	£m	£m	£m	£m	£m	£m
Balance Sheet						
Segment assets	5,648.0	42.2	5,690.2	5,511.5	50.1	5,561.6
Elimination of intercompany balances			(30.2)			(10.9)
			5,660.0			5,550.7
Cash and cash equivalents			758.0			360.4
Consolidated total assets			6,418.0			5,911.1
Segment liabilities	(2,114.3)	(72.4)	(2,186.7)	(1,916.2)	(67.4)	(1,983.6)
Elimination of intercompany balances			30.2			10.9
			(2,156.5)			(1,972.7)
Loans and borrowings			(177.5)			(176.5)
Deferred tax liabilities			(10.5)			(1.2)
Current tax liabilities			(63.3)			(49.4)
Consolidated total liabilities			(2,407.8)			(2,199.8)

	House- building	Commercial developments	2016 Total	House- building	Commercial developments	2015 Total
	£m	£m	£m	£m	£m	£m
Other information						
Capital additions	6.1	-	6.1	5.4	-	5.4
Depreciation	4.5	-	4.5	3.3	-	3.3

2.2 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £550.3m (2015: £449.4m) by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust which are treated as cancelled, which was 998.7m (2015: 987.2m) shares.

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £550.3m (2015: £449.4m) by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive share options from the start of the year, giving a figure of 1,013.0m (2015: 1,008.4m) shares.

The earnings per share from continuing operations were as follows:

	2016 pence	2015 pence
Basic earnings per share	55.1	45.5
Diluted earnings per share	54.3	44.6

2.3 Dividends

	2016 £m	2015 £m
Amounts recognised as distributions to equity shareholders in the year:		
Final dividend for the year ended 30 June 2015 of 10.3p (2014: 7.1p) per share	103.1	70.2
Special dividend for the year ended 30 June 2015 of 10.0p (2014: nil) per share	100.0	-
Interim dividend for the year ended 30 June 2016 of 6.0p (2015: 4.8p) per share	60.1	47.5
Total dividends distributed to equity shareholders in the year	263.2	117.7

	2016 £m	2015 £m
Proposed final dividend for the year ended 30 June 2016 of 12.3p (2015: 10.3p) per share	123.3	102.3
Proposed special dividend for the year of 12.4p (2015: 10.0p) per share	125.0	100.0

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 2016 and has not been included as a liability at 30 June 2016.

2.4 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 20.0% (2015: 20.75%) and the closing deferred tax assets and liabilities have been provided in these condensed consolidated financial statements at a rate of between 18.0% and 20.0% (2015: 20.0%) of the temporary differences giving rise to these assets and liabilities, dependent upon when they are expected to reverse.

2.4.1 Tax recognised in the Income Statement

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

Analysis of the tax charge for the year

	2016 £m	2015 £m
Current tax:		
UK corporation tax for the year	135.1	102.9
Adjustment in respect of previous years	(2.6)	(8.3)
	132.5	94.6
Deferred tax:		
Origination and reversal of temporary differences	(0.4)	13.3
Adjustment in respect of previous years	1.7	7.3
Impact of reduction in corporation tax rate	(1.8)	–
	(0.5)	20.6
Tax charge for the year	132.0	115.2

Factors affecting the tax charge for the year

The tax rate assessed for the year is lower (2015: lower) than the standard effective rate of corporation tax in the UK of 20.0% (2015: 20.75%). The differences are explained below:

	2016 £m	2015 £m
Profit before tax	682.3	565.5
Profit before tax multiplied by the standard rate of corporation tax of 20.0% (2015: 20.75%)	136.5	117.3
Effects of:		
Other items including non-deductible expenses	1.2	1.0
Additional tax relief for land remediation costs	(2.0)	(1.3)
Adjustment in respect of previous years	(0.9)	(1.0)
Tax in respect of joint ventures	(1.0)	(0.8)
Impact of change in tax rate on deferred tax asset	(1.8)	–
Tax charge for the year	132.0	115.2

2.4.2 Tax recognised in equity

In addition to the amount charged to the Consolidated Income Statement, a net current and deferred tax charge of £0.8m (2015: £12.0m credit) was recognised directly in equity.

Section 3 – Working capital

3.1 Inventories

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 2016 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.

During the year, due to performance variations, changes in assumptions and changes to viability on individual sites, there were gross impairment charges of £11.0m (2015: £17.9m) and gross impairment reversals of £2.4m (2015: £6.2m), resulting in a net impairment charge of £8.6m (2015: £11.7m) included within profit from operations.

The key judgements in these reviews were estimating the realisable value of a site, which is determined by forecast sales rates, expected sales prices and estimated costs to complete. The estimation of future sales prices and costs to complete included zero net inflation for the next three years and then low single digit net inflation thereafter. During the year the Group benefited from favourable market conditions, but increased uncertainty due to Brexit. If the UK housing market were to change beyond management expectations in the future, in particular with regards to the assumptions around sales prices and estimated costs to complete, further adjustments to the carrying value of land and work in progress may be required.

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

	Group	
	2016	2015
	£m	£m
Land held for development	2,880.2	2,826.1
Construction work in progress	1,386.3	1,287.4
Part-exchange properties and other inventories	60.1	60.1
	4,326.6	4,173.6

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 twelve months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of variables such as consumer demand and planning permission delays.

3.1.2 Expensed inventories

The value of inventories expensed in the year ended 30 June 2016 and included in cost of sales was £3,233.7m (2015: £2,903.5m).

3.2 Available for sale financial assets

Available for sale financial assets principally comprise interest free loans that are granted as part of sales transactions and for which the cash flows receivable are based on the value of the property at redemption. These loans are secured by way of a second legal charge on the respective property (after the first mortgage charge).

	Group	
	2016	2015
	£m	£m
Secured loans		
At 1 July	107.0	122.4
Additions	0.6	1.2
Disposals (at cost)	(163.6)	(29.6)
Imputed interest	2.1	4.6
Other provision movements	58.0	3.3
Fair value adjustment taken through other comprehensive income	0.5	5.1
At 30 June	4.6	107.0
Balance at 30 June analysed as:		
Current	0.8	10.2
Non-current	3.8	96.8

On 5 February 2016, the Group disposed of the majority of its available for sale assets to funds managed by PMM Advisers for cash of £82.9m. The fair value of these assets on disposal was £85.4m generating a loss on disposal of £2.5m. The gross value of the loans disposed of is included within the 'Disposals (at cost)' line and the provision against this is included in the 'Other provision movements' line. The valuation of these assets was based on the price expected to be achieved at disposal.

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.

Section 4 – Business combinations and other investing activities

4.1 Business combinations

4.1.1 Non-controlling interests

At 30 June 2016 the following subsidiaries of the Group had non-controlling interests:

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

*Subject to UK corporation tax (see note 2.4)

	Group	
Movement in non-controlling interest share of net assets recognised in the Consolidated Balance Sheet	2016 £m	2015 £m
At 1 July	8.9	8.0
Share of profit for the year recognised in the Consolidated Income Statement	–	0.9
At 30 June	8.9	8.9

4.2 Goodwill

	Group £m
Cost	
At 1 July 2014, 30 June 2015 and 30 June 2016	816.7
Accumulated impairment losses	
At 1 July 2014, 30 June 2015 and 30 June 2016	24.5
Carrying amount	
At 30 June 2015 and 30 June 2016	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.

4.2.1 Impairment of goodwill and intangibles

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

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.

An impairment review was performed at 30 June 2016 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 three years of cash flows were determined using the Group's approved detailed site-by-site business plan. The cash flows for the fourth and 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.

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 14.2% (2015: 14.0%) 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 2016 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 three years dependent upon local market conditions and product type.
- Sales volumes: these are determined on a site-by-site basis for the first three years dependent upon local market conditions, land availability and planning permissions.
- Expected changes in site costs to complete: these are determined on a site-by-site basis for the first three years dependent upon the expected costs of completing all aspects of each individual development.

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 £1,424.6m (2015: £1,547.4m).

If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reduced each year by 4.2% versus management expectations (2015: 4.5% per annum) or the appropriate discount rate were to increase by 4.5% (2015: 4.3%) and all other variables were held constant, then the recoverable value of goodwill and intangible assets would equal its carrying value.

Section 5 – 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	
	Notes	2016 £m	2015 £m
Cash and cash equivalents	5.1.1	758.0	360.4
Drawn debt			
<i>Non-current borrowings</i>			
Term loans		(90.9)	(88.2)
Government loans		(21.0)	(24.7)
Private placement notes		(59.6)	(50.4)
Total non-current borrowings		(171.5)	(163.3)
<i>Current borrowings</i>			
Bank overdrafts		-	-
Government loans		(6.0)	(13.2)
Total current borrowings		(6.0)	(13.2)
Total borrowings being total drawn debt		(177.5)	(176.5)
Derivative financial instruments			
Foreign exchange swaps	5.3	11.5	2.6
Net cash		592.0	186.5

Included within non-current borrowings are prepaid facility arrangement fees of £9.5m (2015: £12.3m).

Movement in net cash is analysed as follows:

	Group	
	2016 £m	2015 £m
Net increase in cash and cash equivalents	397.6	85.7
Net loan repayments/(drawdown) including foreign exchange loss	(1.0)	23.7
Foreign exchange gain on swaps	8.9	4.1
Other fees relating to amendment of financing arrangements	-	(0.1)
Movement in net cash in the year	405.5	113.4
Opening net cash	186.5	73.1
Closing net cash	592.0	186.5

5.1.1 Cash and cash equivalents

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

5.1.2 Borrowings and facilities

All debt (excluding Get Britain Building loans) is unsecured.

The principal features of the Group's debt facilities at 30 June 2016 and 30 June 2015 were as follows:

	Facility	Amount drawn		Maturity
		30 June 2016	30 June 2015	
Committed facilities				
Revolving credit facility (RCF)	£700.0m	–	–	£150.0m on 29 December 2017 £550.0m on 17 December 2019
Term loan	£100.0m	£100.0m	£100.0m	Repayments scheduled: 25% on 1 July 2019; 25% on 1 July 2020; and 50% on 1 July 2021
Government loans*	£22.5m	£22.5m	£27.9m	Repayments due between 6 December 2016 and 31 March 2018
Local government loan agreements	£4.6m	£4.6m including £0.1m interest	£10.0m including £0.2m interest	Repayments due between 31 March 2018 and 31 March 2020
Fixed rate US\$ private placement notes	\$80.0m	\$80.0m	\$80.0m	23 August 2017

*Government loans comprise:

- *Get Britain Building* -The Group has received cash upon specific sites under the Government's 'Get Britain Building' scheme, which is repayable as described in the table above.
- *Growing Places Fund* - The Group has received cash under a local government 'Growing Places Fund' scheme which is repayable over four years in eight six-monthly instalments, the first of which was in December 2013.

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

Weighted average interest rates are disclosed in note 5.2.

5.2 Net finance costs

Recognised in the Consolidated Income Statement:

	Notes	2016 £m	2015 £m
Finance income			
Finance income on short term bank deposits		(0.7)	(0.1)
Imputed interest on available for sale financial assets and interest free loans		(2.9)	(4.6)
Finance income related to employee benefits	6.1	(0.4)	(0.4)
Other interest receivable		(1.9)	(2.5)
		(5.9)	(7.6)
Finance costs			
Interest on loans and borrowings		14.1	19.1
Imputed interest on deferred term payables		34.5	31.6
Amounts reclassified to the Income Statement in respect of hedged cash flows		(1.1)	2.9
Foreign exchange losses on US Dollar debt		8.9	4.1
Amortisation of facility fees		2.9	3.0
Other interest payable		4.8	3.9
		64.1	64.6
Net finance costs		58.2	57.0

Recognised in equity:

	2016 £m	2015 £m
Amounts deferred in respect of effective cash flow hedges	(6.3)	0.5
Total fair value movement on cash flow swaps included in equity	(6.3)	0.5
Amounts reclassified to the Income Statement in respect of hedged cash flows	1.1	(2.9)
Total fair value movement on cash flow swaps transferred from equity	1.1	(2.9)

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

	2016 %	Group 2015 %
Bank loans excluding swap interest	2.1	2.4
Net swap payment	5.2	5.1
Government loans	2.2	2.4
Term loans	4.7	4.9
Private placement notes	8.2	8.1

5.3 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 5.4 to the condensed consolidated financial statements. The Group does not enter into any derivatives for speculative purposes.

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.

The Group includes foreign exchange swaps within net debt. These swaps were entered into to hedge the foreign exchange exposure upon the Group's US Dollar denominated private placement notes. The Group's foreign exchange swaps have both an interest rate and an exchange rate element and only the exchange rate element on the notional amount of the swap is included within the net cash note above.

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

	Group	
	2016 £m	2015 £m
Designated as cash flow hedges:		
Foreign exchange swap – exchange rate element	11.5	2.6
Foreign exchange swap – interest rate element	0.3	(0.3)
Non-current asset	11.8	2.3
Interest rate swaps – non-current liability	(7.5)	(17.0)
Interest rate swaps – current liability	(5.6)	–
Total liability	(13.1)	(17.0)
Net derivative financial instruments	(1.3)	(14.7)

5.3.1 Interest rate swaps

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

As at 30 June 2016, the Group had outstanding floating rate Sterling debt and overdrafts, excluding fees, of £122.0m (2015: £126.9m). In obtaining this funding, the Group sought to achieve certainty as to the availability of, and income statement charge related to, a designated proportion of anticipated future debt requirements.

The Group has entered into swap arrangements to swap £137.0m (2015: £137.0m) of this debt into fixed rate Sterling debt in accordance with the Group Treasury policy outlined in note 5.4. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

2016			2015		
£m	Fixed rate payable %	Maturity	£m	Fixed rate payable %	Maturity
60.0	6.06	2017	60.0	6.06	2017
19.5	6.18	2017	19.5	6.18	2017
32.5	5.83	2017	32.5	5.83	2017
25.0	5.61	2022	25.0	5.61	2022
137.0			137.0		

During the year ended 30 June 2016 hedging ineffectiveness of £0.7m (2015: £nil) was charged to the Consolidated Income Statement.

5.3.2 Foreign exchange swaps

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

As at 30 June 2016, the Group had outstanding fixed rate US Dollar loan notes of \$80.0m (2015: \$80.0m).

The Group has entered into swap arrangements to swap all of this debt into fixed rate Sterling debt in accordance with the Group treasury policy outlined in note 5.4. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

2016			2015		
\$m	Fixed rate payable %	Maturity	\$m	Fixed rate payable %	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.

5.4 Financial risk management

The Group's approach to risk management and the principal operational risks of the business are detailed in note 7.5. The Group's derivative financial instruments are detailed in note 5.3.

The Group's operations and financing arrangements expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risks, liquidity risks and interest rates. The most significant of these to the Group is liquidity risk and, accordingly, there is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management to ensure that risks are promptly identified and appropriate mitigating actions taken by the 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. See principal risks and uncertainties section for more details.

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

5.4.1 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long term and medium term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April 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 20.0% (2015: 21.0%) of available committed facilities at 30 June 2016. In addition, the Group had £758.0m (2015: £360.4m) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2016. At the date of approval of the condensed consolidated financial statements, the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future, being at least 12 months from the date of approval of the condensed consolidated 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 2016, the average maturity of the Group's facilities was 3.0 years (2015: 4.0 years).

The Group maintains certain committed floating rate facilities with banks to ensure sufficient liquidity for its operations. The undrawn committed facilities available to the Group, in respect of which all conditions precedent had been met, were as follows:

Expiry date	Group	
	2016 £m	2015 £m
In less than one year	-	-
In more than one year but not more than two years	150.0	-
In more than two years but not more than five years	550.0	701.7
In more than five years	-	-
	700.0	701.7

In addition, the Group had £71.2m (2015: £71.2m) of undrawn uncommitted facilities available at 30 June 2016.

5.4.2 Market risk (price risk)

5.4.2.1 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 swaps 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, 108.6% (2015: 105.4%) of the Group's gross borrowings were fixed as at 30 June 2016 and the average over the three-year plan period is 42.4% (2015: 43.2%). Group interest rates are fixed using both swaps and fixed rate debt instruments.

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

Group	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
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
2015				
Financial liabilities (excluding derivatives)	115.1	61.4	1,707.8	1,884.3
Impact of interest rate swaps	(137.0)	137.0	-	-
Financial liability exposure to interest rate risk	(21.9)	198.4	1,707.8	1,884.3

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 2016 was 3.6% (2015: 3.1%).

US Dollar denominated private placement notes of £59.6m (2015: £50.4m) 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 2016 was 8.2% (2015: 8.1%) with, at 30 June 2016, a weighted average period of 1.2 years (2015: 2.2 years) for which the rate is fixed.

Sensitivity analysis

In the year ended 30 June 2016, if UK interest rates had been 50 basis points higher/lower, as this is a reasonably possible change, and all other variables were held constant, the Group's pre-tax profit would decrease/increase by £0.1m (2015: £0.9m), the Group's post-tax profit would decrease/increase by £nil (2015: £0.6m) and the Group's equity would decrease/increase by £nil (2015: £0.6m).

5.4.2.2 Foreign exchange rate risk

As at 30 June 2016, the Group had fixed rate US Dollar denominated private placement notes of \$80.0m (2015: \$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 5.3.2.

5.4.3 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. The Group has an investment of £23.1m (2015: £25.6m) in a joint venture that holds available for sale financial assets, which exposes the joint venture to credit risk, although this is spread over a large number of properties. Included within trade and other receivables £48.8m (2015: £45.9m) is due from the Homes and Communities Agency in respect of the Help to Buy scheme. Since this receivable is due from a UK Government agency, the Group considers that this receivable has an insignificant risk of default. Other than this, the Group has no significant concentration of credit risk, as its exposure is spread over a large number of counterparties and customers.

The Group manages credit risk in the following ways:

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

The maximum exposure to any counterparty at 30 June 2016 was £144.4m (2015: £64.4m) of cash on deposit with a financial institution.

5.4.4 Capital risk management (cash flow risk)

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

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 management of these operational risks is set out in the principal risks and uncertainties in note 7.5.

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

5.5 Share capital

5.5.1 Ordinary share capital

	2016 £m	2015 £m
Allotted and issued ordinary shares:		
10p each fully paid: 1,003,607,066 ordinary shares (2015: 995,452,663)	100.4	99.5

Options over the Company's shares granted during the year	2016 number	2015 number
Options granted:		
Long Term Performance Plan	1,880,862	2,176,347
Savings-Related Share Option Scheme	1,782,338	2,542,574
CFO Scheme	121,880	–
Deferred Bonus Plan	305,468	813,663
Senior Management Incentive Scheme	–	639,148
	4,090,548	6,171,732

Allotment of shares during the year	2016 number	2015 number
Allotted and issued ordinary shares:		
At 1 July	995,452,663	984,983,475
Issued to satisfy early exercises under Sharesave schemes	106,614	218,051
Issued to satisfy exercises under matured Sharesave schemes	1,968,683	3,622,372
Issued to satisfy vesting of LTPP awards	4,620,159	6,590,688
Issued to satisfy exercises under the Deferred Bonus Plan	1,458,947	38,077
	1,003,607,066	995,452,663

5.5.2 Own shares reserve

The own shares reserve represents the cost of shares in Barratt Developments PLC purchased in the market and held by the Barratt Developments PLC Employee Benefit Trust (the 'EBT') on behalf of the Company in order to satisfy options and awards that have been granted under the Barratt Developments PLC Executive and Employee Share Option Plans, Long Term Performance Plans and Deferred Bonus Plan. 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.

	2016	2015
Ordinary shares in the Company held in the EBT (number)	1,367,707	1,860,071
Market value of shares held in the EBT at 405.4p (2015: 614.5p) per share	£5,544,684	£11,430,136

During the year the EBT purchased 150,000 shares and disposed of 642,364 shares in settlement of exercises under the Senior Management Share Option Plan 2009/10 and the Senior Management Incentive Scheme.

Section 6 – Directors and employees

6.1 Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

Defined benefit pension scheme - The Directors engage a qualified independent actuary to calculate the Group's asset in respect of its defined benefit pension scheme. In calculating this asset, it is necessary for actuarial assumptions to be made, which include discount rates, salary and pension increases, price inflation, the long term rate of return upon scheme assets and mortality. As actual rates

of increase and mortality may differ from those assumed, the pension asset may differ from that included in these condensed consolidated financial statements.

6.1.1 Defined contribution schemes

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

	2016 £m	2015 £m
Contributions during the year		
Group defined contribution schemes Consolidated Income Statement charge	8.4	8.1

At the balance sheet date, there were outstanding contributions of £0.6m (2015: £0.9m), which were paid on or before the due date.

6.1.2 Defined benefit scheme

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

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

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

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

At the balance sheet date, there were outstanding contributions of £0.8m (2015: £1.1m).

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

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

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

Principal actuarial assumptions	2016	2015
Weighted average assumptions to determine benefit obligations		
Discount rate	2.90%	3.80%
Rate of price inflation	2.80%	3.30%
Weighted average assumptions to determine net cost		
Discount rate	3.80%	4.30%
Rate of price inflation	3.30%	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 1951 (life expectancy at age 65)	23.4 years	25.9 years
Non-retired member born in 1971 (life expectancy at age 65)	25.2 years	27.9 years

The base mortality assumptions are based upon the S1NA mortality tables with an adjustment to allow for the Scheme members being 1.5 years younger than the population of the S1NA mortality tables. Allowance for future increases in life expectancy is made in line with the CMI 2014 projections with a long term trend of 1.25% per annum (2015: 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%	8.5	2.1
Rate of inflation	Increase by 0.1%	4.6	1.1
Life expectancy	Increase by 1 year	15.3	3.8

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

	2016	2015
	£m	£m
Interest cost	13.6	13.9
Interest income	(14.0)	(14.3)
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 Statement of Comprehensive Income were as follows:

	2016	2015
	£m	£m
Expected return less actual return on Scheme assets	(34.9)	(25.1)
Loss arising from changes in the assumptions underlying the present value of benefit obligations	43.9	36.6
Total pension cost recognised in the Group Statement of Comprehensive Income	9.0	11.5

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

	2016	2015
	£m	£m
Present value of funded obligations	405.4	367.5
Fair value of Scheme assets	(413.5)	(372.8)
Surplus for funded Scheme/net asset recognised in the Group Balance Sheet at 30 June	(8.1)	(5.3)

	2016 £m	2015 £m
Net asset for defined benefit obligations at 1 July	(5.3)	(3.1)
Contributions paid to the Scheme	(11.4)	(13.3)
Income recognised in the Consolidated Income Statement	(0.4)	(0.4)
Amounts recognised in the Group Statement of Comprehensive Income	9.0	11.5
Net asset for defined benefit obligations at 30 June	(8.1)	(5.3)

A deferred tax liability of £1.6m (2015: £1.1m) has been recognised in the Group Balance Sheet in relation to the pension asset.

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

	2016 £m	2015 £m
Present value of benefit obligations at 1 July	367.5	327.0
Interest cost	13.6	13.9
Actuarial loss	43.9	36.6
Benefits paid from Scheme	(19.6)	(10.0)
Present value of benefit obligations at 30 June	405.4	367.5

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

	2016 £m	2015 £m
Fair value of Scheme assets at 1 July	372.8	330.1
Interest income	14.0	14.3
Actuarial gain on Scheme assets	34.9	25.1
Employer contributions	11.4	13.3
Benefits paid from Scheme	(19.6)	(10.0)
Fair value of Scheme assets at 30 June	413.5	372.8

The analysis of Scheme assets was as follows:

	2016		2015	
	£m	%	£m	%
Quoted equity securities	96.3	23.3	91.8	24.6
Debt securities	315.8	76.4	279.7	75.0
Other	1.4	0.3	1.3	0.4
Total	413.5	100.0	372.8	100.0

The actual return on Scheme assets was as follows:

	2016 £m	2015 £m
Actual return on Scheme assets	48.9	39.4

The expected employer contribution to the Scheme in the year ending 30 June 2017 is £9.5m.

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

Section 7 – Contingencies, related parties, seasonality and principal risks

7.1 Contingent liabilities

7.1.1 Contingent liabilities related to subsidiaries

Certain subsidiary undertakings have commitments for the purchase of trading stock entered into in the normal course of business.

In the normal course of business, the Group has given counter-indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £482.0m (2015: £588.6m), and confirm that at the date of these condensed consolidated Financial Statements the possibility of cash outflow is considered minimal and no provision is required.

Following correspondence with an industry-wide final salary pension scheme, there is a risk of an obligation arising in respect of section 75 pension scheme funding for employees of a subsidiary who left the Group on disposal of their business and assets. No provision has been recognised in relation to this matter as it is not considered probable that this will result in an outflow of economic resources at present and the amount of any potential outflow cannot be reliably estimated.

7.1.2 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 £56.5m at 30 June 2016 (2015: £39.8m). The Group has also provided principal guarantees of £9.0m (2015: £12.0m) and cost and interest overrun guarantees in relation to the borrowings of a number of the Group's London joint ventures. At 30 June 2016, no cost or interest overruns had been incurred (2015: £nil). The Group's maximum exposure under these cost and interest overrun guarantees is estimated at £17.7m as at 30 June 2016 (2015: £15.7m).

At 30 June 2016, the Group has an obligation to repay £0.9m (2015: £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 2016.

7.1.3 Contingent liabilities related to legal claims

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

No contingent liability in respect of such claims has been recognised.

7.2 Related party transactions

7.2.1 Remuneration of key personnel

Disclosures related to the remuneration of key personnel as defined in IAS 24 'Related Party Disclosures' will be provided in the 2016 Annual Report and Accounts.

7.2.2 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 £14.3m (2015: £11.1m) and £1.3m (2015: £2.2m) 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 £28.1m (2015: £27.0m) from its joint ventures.

The Group has made loans of £84.9m (2015: £87.6m) to its joint ventures which are included within Group investments accounted for using the equity method. The amount of other outstanding payables to the Group from its joint ventures at 30 June 2016 totalled £0.4m (2015: £6.9m).

The amount of outstanding loans and other amounts due from the Group to its joint ventures totalled £47.6m (2015: £nil).

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

7.2.3 Transactions between the Group and its associates

The amount of outstanding loans due to the Group from its associates at 30 June 2016 was £nil (2015: £nil). There were no other amounts outstanding to the Group from its associates as at 30 June 2016.

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

7.2.4 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').

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

In August 2014, Mark Clare, at the time, Group Chief Executive, reserved a flat (including a car parking space) from Fulham Wharf LLP, a joint venture partnership between BDW Trading Limited (the Group's main trading subsidiary) and London and Quadrant Housing Trust (L&Q), at a purchase price of £1,692,350. This purchase was conducted at a fair and reasonable market price based on four independent market valuations and similar comparable transactions at that time. An amount of £2,500 was paid on reservation and a deposit of £166,735 was paid on 13 October 2014. The remaining balance was paid on completion on 17 June 2016 in accordance with the Group's normal terms of trading.

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

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

In June 2016, David Thomas notified the Board of his and his daughter's intention to buy one property each at the BDW Trading Limited site at Cane Hill. These transactions have not impacted these condensed consolidated financial statements and further information relating to this can be found in the Annual Report and Accounts.

There have been no 'smaller related party transactions' as defined in Listing Rule 11.1.10R for the year ended 30 June 2016 or in the year ended 30 June 2015.

7.3 Seasonality

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

7.4 Statutory accounts

The condensed consolidated financial statements for the year ended 30 June 2016 have been approved by the Directors and prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and Standing Interpretations Committee ('SIC') interpretations as adopted and endorsed by the European Union ('EU').

Barratt Developments PLC's 2016 Annual Report and Accounts will be circulated to shareholders in October 2016 and will be made available on its website www.barrattdevelopments.co.uk at that point. The financial information set out herein does not constitute the Company's statutory accounts for the year ended 30 June 2016 (as defined in Sections 434 and 436 of the Companies Act 2006) but is derived from the 2016 Annual Report and Accounts and the accounts contained therein. Statutory accounts for 2016 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 16 November 2016. The auditor has reported on these accounts; their report was unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The comparative figures for the year ended 30 June 2015 are not the Company's statutory accounts for the financial year but are derived from those accounts which have been reported on by the Company's auditor and which were delivered to the Registrar of Companies. The 2015 report of the auditor is unqualified and does not contain statements under Section

498 (2) or (3) of the Companies Act 2006.

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

7.5 Principal risks and uncertainties

Our performance is subject to a number of risks. The Board has conducted a robust assessment of the principal risks facing the business. Whilst the principal risks for the Group related to the execution of its business strategy have not changed since 2015, the likelihood of the risk factors occurring may have changed.

The principal risks are set out in the table below.

Risk	A: Economic environment, including housing demand and mortgage availability	B: Land Purchasing	C: Liquidity
Potential impact	Changes in the UK and European macroeconomic environments, including but not limited to unemployment, flat or negative economic growth, buyer confidence, availability of mortgage finance particularly for higher loan to values including government backed schemes, interest rates, competitor pricing, falls in house prices or land values, may lead to a fall in the demand or 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 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.
Mitigation	Board, Executive Committee, regional and divisional management review Quarterly site valuations Comprehensive sales policies and procedures including transparency towards mortgage lenders	All potential land acquisitions are subject to formal appraisal and approval by the Land Committee Divisional, regional and Group review of land currently owned, committed and identified against requirements	Committed bank facilities and private placement notes of around £850m with maturities ranging from 2016 to 2021 Regular forecasts of working capital and cash requirements and compliance with banking covenants Policy requiring minimum headroom of £150m of drawings against committed facilities
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 20% gross margin and 25% 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 and deliver sustainable shareholder value.

Risk	D: Attracting and retaining high-calibre employees	E: Availability of raw materials, sub-contractors and suppliers	F: Government regulation and planning policy
Potential impact	Inability to recruit and/or retain employees with appropriate skill sets 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.	Inability to adhere to the increasingly stringent and complex regulatory environment, including planning and technical requirements affecting the housing market and regulatory requirements more generally.
Mitigation	<p>Comprehensive Human Resources programme including apprenticeship schemes, a graduate development programme, succession planning and training academies tailored to each discipline</p> <p>Monthly monitoring of employee statistics including turnover and absence</p> <p>Exit interviews</p> <p>Annual employee engagement survey</p> <p>Remuneration benchmarked against industry competitors</p>	<p>Centralised team procures the majority of the Group's materials from within the UK including sub-contractor materials, ensuring consistent quality and costs and security of supply</p> <p>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</p> <p>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</p>	<p>Considerable in-house technical and planning expertise devoted to complying with regulations and achieving implementable planning consents</p> <p>Rigorous design standards for the homes and places we develop</p> <p>Policies and technical guidance manuals for employees on regulatory compliance and the standards of business conduct expected</p>
The opportunity	Skilled employees are 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.	Sufficient material and skilled sub-contractor availability will enable disciplined volume growth.	Securing sufficient, appropriate planning permissions upon new sites will enable the Group to deliver disciplined volume growth.

Risk	G: Construction and new technologies	H: Joint ventures and consortia	I: Safety, health and environmental	J: IT
Potential impact	Failure to identify and achieve key construction milestones, due to factors including the impact of adverse weather conditions, the failure to identify cost overruns promptly, design and construction defects, and exposure to environmental liabilities, which could delay construction, increase costs, reduce selling prices and result in litigation and uninsured losses. There are also risks associated with climate change and the use of new technology in the build process e.g. materials related to carbon reduction.	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, delays in construction or increased costs, reputational damage, criminal prosecution and civil litigation.	Failure of the Group's IT systems (whether due to cyber-attacks or other causes) in particular those relating to surveying and valuation, could adversely impact the performance of the Group.

Mitigation	<p>Executive Committee, regional and divisional reviews</p> <p>Any alternative forms of construction and building technologies and the quality of materials are subject to evaluation by external and internal technical experts, including the NHBC, to ensure compliance with all building and other regulations</p> <p>Quarterly site valuations</p> <p>Monitoring of environmental impact indicators</p> <p>Maintenance of appropriate insurance cover</p>	<p>All potential joint ventures are subject to formal appraisal and approval by the Group's Land Committee and the Board</p> <p>Once operational, the performance of joint ventures and consortia are subject to regular review</p>	<p>Health and safety team</p> <p>Regular health and safety audits and development monitoring visits</p> <p>Group health and safety and environmental policies and procedures</p> <p>Board health and safety visits reinforces the importance of Health, Safety and Environmental compliance</p>	<p>Centrally maintained IT systems</p> <p>Fully-tested disaster recovery programme</p> <p>Regular reviews to seek to reduce the risk of successful cyber-attacks</p>
The opportunity	<p>Modern construction methods are being assessed and implemented where appropriate to reduce the risks inherent in the construction process and to help address the shortage of skilled trades people.</p>	<p>Securing more joint venture sites that at least meet our hurdle rates of 20% gross margin and 25% ROCE will enable disciplined volume growth.</p>	<p>Continued focus upon health and safety to seek to reduce injury rates and manage the risks inherent in the construction process.</p>	<p>Integrated IT systems enhance business control and drive efficiency.</p>

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 the Annual Report and Accounts, which have been prepared in accordance with IFRS, Standing Interpretation Committee interpretations as adopted and endorsed by the European Union, International Financial Reporting Interpretations Committee interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and
- b) the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

The Directors of the Company and their functions are listed on pages 46 and 47 of the Annual Report and Accounts.

By order of the Board

David Thomas
Chief Executive
6 September 2016

Neil Cooper
Chief Financial Officer
6 September 2016

The Directors' Report from pages 46 to 104 inclusive of the Annual Report and Accounts was approved by the Board on 6 September 2016 and is signed on its behalf by:

Tina Bains
Company Secretary