

5 September 2018

**Barratt Developments PLC  
Annual Results Announcement for the year ended 30 June 2018**

**Another year of strong performance, new medium term targets announced**

<b>£m unless otherwise stated<sup>1,2</sup></b>	<b>Year ended 30 June 2018</b>	<b>Year ended 30 June 2017</b>	<b>Change</b>
Total completions (units) <sup>3</sup>	17,579	17,395	1.1%
Revenue	4,874.8	4,650.2	4.8%
Gross margin (%)	20.7	20.0	70 bps
Profit from operations	862.6	799.2	7.9%
Operating margin (%)	17.7	17.2	50 bps
Profit before tax	835.5	765.1	9.2%
Basic earnings per share (pence)	66.5	61.3	8.5%
Total dividend per share (pence)	43.8	41.7	5.0%
ROCE (%)	29.6	29.8	(20) bps
Tangible net assets per share (pence)	366	340	7.6%
Net cash	791.3	723.7	9.3%

### Highlights

- Strong financial and operational performance for the full year
- Leadership of quality and customer service recognised through both 14 consecutive years of achieving more NHBC Pride in the Job Awards than any other housebuilder and receiving the HBF maximum 5 Star customer satisfaction rating for nine consecutive years
- 50 bps of operational margin improvement as our margin initiatives have started to deliver
- Profit before tax up by 9.2% to £835.5m
- 4.7% increase in final ordinary dividend per share to 17.9p (2017: 17.1p) together with 17.3p (2017: 17.3p) special dividend per share, resulting in a total dividend for the financial year of 43.8p (2017: 41.7p)

### Medium term targets

- 3-5% volume growth per annum
- Land acquisition hurdle rate of a minimum 23% gross margin
- Minimum 25% ROCE

### Current trading

- Forward sales (including JVs) up 11.1%, as at 2 September 2018 at £3,054.0m (3 September 2017 at £2,749.9m)
- Net private reservations per active outlet per average week from 1 July were in line with the prior year at 0.75 (FY18: 0.74)

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

“The Group has had another outstanding year delivering a strong operational and financial performance, and our highest volumes in a decade. As the UK’s largest housebuilder we are helping to address the country’s housing shortage – creating jobs and supporting economic growth whilst continuing to lead the industry in quality and customer service.

Our continued focus on operating efficiencies and margin initiatives is starting to deliver and we have today announced new medium term operational targets reflecting our confidence in the business going forward.

The Group starts the new financial year in a good position with a strong balance sheet, healthy forward sales and robust consumer demand supported by a positive mortgage environment.”

1 Refer to Glossary for definitions of key financial metrics.  
2 Unless otherwise stated, all numbers quoted exclude JVs.  
3 Includes JV completions in which the Group has an interest.

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

There will be an analyst and investor meeting at 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](http://www.barrattdevelopments.co.uk), from 9.00am today. A playback facility will be available shortly after the presentation has finished.

A listen only function will also be available.

Dial in: 0800 376 7922

International dial in: +44 (0) 207 192 8000

Access code: 2599157

Further copies of this announcement can be downloaded from the Barratt Developments PLC corporate website [www.barrattdevelopments.co.uk](http://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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**Financial calendar update**

As the Group has reported its full year results in early September in recent years, we have decided to bring forward the AGM and trading statement from mid-November to mid-October 2018.

The Group will provide current trading from 1 July 2018 to 14 October 2018 at the AGM on 17 October 2018. Given the short time period between full year results and the AGM there will not be an analyst and investor call. Please note that, unlike in previous years and as previously communicated, Barratt Developments does not intend to provide a trading update between the AGM trading update and the earlier than usual announcement of the Interim results on 6 February 2019.

## **Chairman's statement**

2018 marks Barratt's 60<sup>th</sup> anniversary and we are proud to have built more than 450,000 homes across the country since we began in 1958. As the largest housebuilder in the UK, we delivered 17,579 homes in the year, the second highest annual figure in our 60 year history.

The Group performed well again this year against key financial and operational metrics. We also continue to lead the industry in quality and service and reported record profits for the fourth year running.

At the heart of our business is a commitment to quality and service. Home buyers have the right to expect the highest quality and service. We strive to deliver this right across our business. This commitment to quality and service is recognised widely across the industry.

Our site managers were awarded 83 NHBC Pride in the Job Awards for site management this year, more than any other housebuilder for the 14<sup>th</sup> year in a row. We were also awarded the Home Builders Federation maximum 5 Star rating, meaning that over 90% of our customers would recommend us to a friend, for the ninth consecutive year – the only major housebuilder with this record. These achievements are a testament to our focus on leading the future of housebuilding by putting customers at the heart of everything we do.

## **Political and economic environment**

The Government continues to emphasise its support of housebuilding and commitment to tackling the country's housing shortage. We expect that the recently updated National Planning Policy Framework will positively impact housebuilding and Local Authorities have made good progress in preparing and submitting local plans.

The November 2017 budget included further positive measures to improve the health of the housing market. Notably this included a stamp duty cut for first time buyers, which has now benefited over 120,000 purchasers, and the £5 billion Housing Infrastructure Fund to unlock new sites for development.

While political uncertainty continues around the country's departure from the EU and ministerial changes in the Ministry of Housing, Communities and Local Government, the Board remain confident in the strong fundamentals of the housing sector and our business.

Market conditions remain good with a wide availability of attractive mortgage finance, which, alongside Help to Buy, continues to support robust consumer demand. The Group is well positioned with a substantial year-end net cash balance, healthy forward sales position and an experienced management team.

## **Our employees**

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

To celebrate Barratt's 60<sup>th</sup> anniversary the Board wanted to recognise the contribution of employees at all levels and for the first time we granted a share award to all employees below Senior Management level, giving them the opportunity to share in the future success of the Group.

## **Corporate governance**

The Board recognises that good, strong corporate governance is the foundation for any successful company. We continue to embed good corporate governance practices through our policies, processes and procedures across our business and seek to apply the provisions of corporate governance regulation and best practice.

## **New Code**

In July 2018, the FRC issued the New Code. We welcome the simplicity of the New Code and the focus on building strong, transparent relationships with key stakeholders. We have already taken steps to apply some of the main changes introduced by the New Code.

Specifically we have established an employee forum to hear the views of our workforce and we have also continued to focus on the key stakeholders whose interests will continue to be taken into account throughout the Board's

decision-making process. The Nomination Committee will continue to enhance its approach to succession planning and diversity, and the Remuneration Committee will continue to ensure that Executive Directors' remuneration is justified and takes into account the remuneration and related policies for the wider workforce. During FY19, we will assess our governance practices against the provisions of the New Code and the Guidance on Board Effectiveness and any changes proposed or made during the year will be reported on in our next Annual Report and Accounts.

### **Board changes**

As announced on 2 October 2017, Sharon White joined the Board as a Non-Executive Director with effect from 1 January 2018. Sharon brings a wealth of public sector and public policy experience to the Board as current Chief Executive of Ofcom and having spent 25 years working in the public sector and Government.

Having concluded nine years of distinguished service, Tessa Bamford stepped down from the Board on 30 June 2018. I would like to thank Tessa for her constant commitment and significant contribution throughout her tenure and wish her every success for the future.

In the run up to the 2017 AGM, shareholders lodged votes against the re-election of Jock Lennox based on concerns that he was overboarded and therefore unable to commit sufficient time to his role at Barratt. In order to address shareholder concerns Jock decided to step down from his position as Audit Committee Chair and Non-Executive Director of Dixons Carphone plc with effect from 6 September 2018 and 31 December 2018 respectively.

### **Delivering returns for our shareholders**

In accordance with the extended Capital Return Plan announced in February 2018 and the continued strong financial performance of the Group, the Board is pleased to recommend a final dividend of 17.9 pence per share (2017: 17.1 pence per share) and a special dividend of £175.0m (17.3 pence per share). We, subject to shareholder approval, will pay both the final and special dividends on 6 November 2018 to those shareholders on the register as at the close of business on 12 October 2018. The total proposed dividend for FY18, including the interim dividend of 8.6 pence per share paid in May 2018, is therefore 43.8 pence per share (2017: 41.7 pence per share).

### **Charitable giving**

Our objective of providing people across the UK with homes they want to live in is aligned with our social commitment to giving back to the communities we live and work in. We believe it is important to support charitable causes both locally and nationally and encourage our employees in that pursuit. Each of our divisions and offices support local charities and the Group matches funds raised by our employees. Over FY18 we have raised and donated £1.2m to various charities.

We encourage all of our employees to take paid time off work to volunteer in their local communities and I was pleased to see employees across the business spend time helping their local communities, including maintaining nature reserves and volunteering at local schools. We continue to partner with the RSPB on how nature and wildlife are incorporated into our new communities.

### **Outlook and summary**

The Group is well positioned to continue to improve its performance in future years.

I believe that we have an experienced and committed Board of Directors who continue to focus on promoting the success and long term sustainable value of the Group.

We will continue to monitor the balance of skills, experience and knowledge on the Board and ensure that it remains appropriate and relevant to drive the Group's strategy forward over the coming years.

On behalf of the Board, I thank you for your continued support and look forward to welcoming you to our AGM on 17 October 2018.

**John Allan**  
Chairman

4 September 2018

## **Chief Executive's statement**

### **Our results summary**

It has been a strong year for the Group both operationally and financially, delivering a record profit before tax of £835.5m (2017: £765.1m), up 9.2% on the prior year and the highest number of housing completions in a decade.

Our regional business has performed particularly strongly over the year and as a result we have seen incremental improvement in operating margin of 50 bps, to 17.7% (2017: 17.2%), with both trading from new regional sites and regional mix driving improvement and our margin initiatives starting to deliver.

We have also continued to strengthen our balance sheet, ending the year with net cash of £791.3m (2017: £723.7m) and with net tangible assets of £3,705.5m (2017: £3,430.0m).

	Housebuilding	Commercial	Total
Total completions including JVs (units)	17,579	-	<b>17,579</b>
Revenue (£m)	4,827.0	47.8	<b>4,874.8</b>
Gross margin (%)	20.7%	15.7%	<b>20.7%</b>
Profit from operations (£m)	857.6	5.0	<b>862.6</b>
Operating margin (%)	17.8%	10.5%	<b>17.7%</b>
Share of post-tax profit/(loss) from joint ventures and associates (£m)	18.5	(0.5)	<b>18.0</b>

### **New medium term strategic objectives**

We are very proud to not only be Britain's largest housebuilder but also lead the industry in both customer service and build quality. This is about doing the right thing for our customers, and we believe the high quality of our homes and our excellent customer service is fundamental to our ongoing success. We are building the homes the country desperately needs, creating jobs and supporting economic growth whilst also delivering both operationally and financially for our shareholders.

As previously announced, whilst maintaining our industry leading standards of quality and service, the Group is committed to delivering margin improvements, continuing to grow volumes as well as returning excess cash to shareholders. Over the last five years we have grown and strengthened the Group significantly but we believe further operational improvements can be driven through the business.

Demonstrating the Board's confidence in the business going forward we are now setting out our targets over the medium term.

### **Primary operational targets and key financial metrics**

<b>Completions</b>	3-5% growth per annum Present business capacity of 20,000 per annum
<b>Gross margin</b>	New land acquisitions at minimum 23% gross margin
<b>ROCE</b>	Minimum of 25%

We are a national housebuilder and build homes across the country through our three brands: Barratt Homes, David Wilson Homes and Barratt London. We have grown volumes by 28.7% over the last five years to 17,579 units in 2018 (2017: 17,395 units). We are committed to disciplined volume growth to maintain quality standards and expect to grow volumes between 3-5% per annum over the medium term. We have recently opened a new Cambridgeshire division to support our volume aspirations and have capacity to grow to 20,000 annual completions under the current operational structure.

We have grown margin significantly over the last five years and this year the Group has delivered a gross margin of 20.7% (2017: 20.0%). We have achieved this growth despite continued headwinds in the high-end Central London market, reflecting our strong regional performance and as a result of our margin initiatives starting to deliver.

In 2016, the Group undertook a review of its housing ranges. The new ranges maintain our high standards of design whilst being faster to build, help us reduce build cost and waste, and are more suitable for modern methods of

construction. We continue to roll out our new housing ranges across the business with the new Barratt range now identified for 187 sites (September 2017: 132 sites) across the country and we currently have 101 sites (September 2017: 51 sites) under construction. The planned roll-out of the new product ranges will increasingly benefit margin going forward.

Our focus on driving further margin improvements through the business, and the operational improvements that we have made, including our new product range and our concentration on standardised product, are enabling us to acquire land at an increased minimum of 23% gross margin.

ROCE has grown from 11.5% to 29.6% since 2013, and we expect it to remain at a minimum of 25% over the medium term.

### ***Operating framework and capital structure***

<b>Land bank</b>	c. 3.5 years owned and c. 1.0 year controlled
<b>Land creditors</b>	Reduce usage to 25-30% of the land bank over medium term
<b>Net cash</b>	Modest average net cash over the financial year Year-end net cash
<b>Treasury</b>	Appropriate financing facilities
<b>Capital Return Plan</b>	2.5 x dividend cover Ordinary dividend supplemented by special returns when market conditions allow

We will continue to maintain an appropriate capital structure and a sustainable operating framework, with shareholders' funds and land creditors funding the longer term requirements of the business and with term loans and bank debt funding shorter term requirements for working capital. We expect finance costs for FY19 to be around £45m of which c. £12m will be cash finance costs.

Going forward, we expect to have modest average net cash over each financial year and be cash positive at year end. As at 30 June 2018, the Group had a net cash balance of £791.3m (2017: £723.7m), ahead of expectations, driven by strong year end trading. We expect FY19 year-end net cash to be around £550m.

We will continue to seek to defer payment for some land purchases to drive a higher ROCE. As at 30 June 2018 the Group had reduced land creditors to 34% (2017: 37%) of the owned land bank in line with guidance. At 30 June 2019, we expect this to be 30-35% of the owned land bank, and we expect to continue to reduce this further and target 25-30% of the owned land bank over the medium term.

Net tangible assets were £3,705.5m (£3.66 per share) of which land net of land creditors and work in progress totalled £3,429.8m (£3.39 per share).

## **FY18 results review**

### **Our businesses**

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

### **Housebuilding**

#### ***Housebuilding results***

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

We are the UK's largest housebuilder with total completions at 17,579 units including JVs (2017: 17,395), the highest number of completions in a decade. Private completions increased by 1.0% to 13,439 (2017: 13,303), affordable completions were 3,241 (2017: 3,342), and JV completions in which the Group had an interest were 899 (2017: 750).

Total ASP on completions in the year increased by 5.0% to £288.9k (2017: £275.2k), with private ASP also increasing by 5.0% to £328.8k (2017: £313.1k) benefiting from mix changes and some underlying house price inflation. Completions in our London business were ahead of expectations, with particularly strong final quarter Central London trading, resulting in a higher ASP in the second half. At 30 June 2018 we had 145 private wholly

owned Central London homes remaining. As a result of this mix change, a higher proportion of our completions in FY19 will therefore be from Outer London and we would therefore expect ASP to reduce in FY19.

Our FY18 sales rate was in line with the prior year at 0.72 (2017: 0.72) net private reservations per active outlet per week in the full year and 0.77 (2017: 0.76) in the second half. During the year, we operated from an average of 380 active outlets including JVs (2017: 377).

We have delivered a 50 bps operating margin improvement for the year, driven in the main by trading from our new regional sites, regional mix and other items which accounted for margin improvement of 110 bps. We continue to increase the proportion of higher margin land completions, which accounted for 94% (2017: 92%) of the total in the year, and to trade through our legacy assets, and this has had a small positive impact on our margin. As expected we have seen a negative impact on our Group operating margin from Central London, resulting in a decrease in margin of 40 bps over the year.

Our share of profits from JVs and associates in the year for the housebuilding business decreased to £18.5m (2017: £26.5m), reflecting planned site build programmes and in line with previous guidance. As at 30 June 2018 we were selling from 12 (2017: 11) JV outlets. In FY19 we expect to deliver around 650 JV completions and our share of profits from JVs to be around £20m.

Following the Grenfell Tower tragedy, the Government commissioned independent reviews of Building Regulations and Fire Safety. The Group has undertaken a review of all of its current and legacy buildings where it has used cladding. Approved Inspectors signed off all of our buildings, including the cladding used, as compliant with the relevant Building Regulations during construction and on completion. While we are satisfied that we currently have no liability in respect of cladding, we have made a £4.0m provision for the work we have undertaken to carry out at one site to remove and replace cladding in line with our commitment to put our customers first.

### ***Committed to building more high quality homes***

As the UK's largest housebuilder we remain committed to playing our part in addressing the UK's housing shortage. We design developments which look great, meet our high quality standards, are a pleasure to live on, and will enhance local communities for years to come.

We believe our industry leadership in quality and customer service is fundamental to business resilience. That quality is recognised through the NHBC Pride in the Job Awards for site management. In June 2018 our site managers were awarded 83 awards, more than any other housebuilder for the 14<sup>th</sup> consecutive year. We are also the only major housebuilder to be awarded the maximum 5 Star rating by our customers in the HBF customer satisfaction survey for nine consecutive years.

We are always looking at new and innovative ways of sales and marketing as well as ways to provide affordable housing across the country. As part of this we have entered into a small bulk deal arrangement with a residential property provider which offers a part-buy part-rent option for its customers. In FY18 we completed on 79 homes in the North-West of England, with a further 81 homes due for delivery in FY19.

We are committed to investing in the future of housebuilding. We continue to offer a range of graduate, apprentice and trainee programmes and are one of the largest employers of apprentices in the industry. In 2013 we created the UK's first ever degree programme in housebuilding, in partnership with Sheffield Hallam University, with the first students having graduated this summer with a BSc in Residential Development and Construction. The course, designed specifically for Barratt employees, helps to address industry-wide skills challenges and support future growth. We also continue to develop, trial and implement modern methods of construction. In FY18 we built and sold over 1,900 units using Timber Frame, Large Format Block and Light Gauge Steel Frame.

### ***The key dimensions underpinning delivery of our strategy***

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

#### ***Land and planning***

A key factor in the growth of our housebuilding business in recent years has been our land investment strategy, which has boosted absolute profit and led to increased completion volumes.

The land market remained attractive throughout the financial year and we secured excellent opportunities that exceeded our minimum hurdle rates. The Group approved £933.9m (2017: £957.2m) of operational land for

purchase in the year, which equates to 20,951 plots (2017: 18,497 plots). To support our volume growth aspirations we expect to approve between 18,000-22,000 plots per annum over each of the next three financial years.

We continue to target a regionally balanced land portfolio with a supply of owned land of c. 3.5 years and a further c. 1.0 year of controlled land. Our target for a shorter than sector average land bank reflects our focus on ROCE and our fast build and sell model. Reflecting the excellent land opportunities we have seen over the year as well as our growth ambitions, at 30 June 2018 we are slightly above this target with a 4.8 years land supply comprising 3.7 years owned land and 1.1 years controlled land, with the owned land bank including land with both outline and detailed planning consents.

At 30 June 2018, the ASP of plots in our owned land bank was £270k (2017: £265k). In FY18, 27% (2017: 25%) of our completions were from strategically sourced land and we are making good progress in reaching our medium term target of 30% of completions from strategic land, which we believe is an appropriate level for our business.

Following our success with planning over the past 12 months we are very well positioned, with all of our expected FY19 completions (2017: all of FY18 completions) having outline or detailed consent.

#### *Improving efficiency and reducing costs*

Improving the efficiency of our operations and controlling costs remains a key focus for the Group, as it will further enhance our margin and improve business resilience. We have launched our new cost effective housetype range but we are also seeking ways to improve efficiencies and reduce costs across the business in all areas.

We have a robust and carefully managed supply chain with around 90% of the housebuild materials sourced by our centralised procurement function manufactured or assembled in the UK. The cost of 75% of our centrally procured materials is now fixed until the end of FY19. On labour, we continue to see some pressure on skilled labour supply with shortages remaining location and trade specific. We are also improving construction efficiency and reducing demand on labour through implementing the new housetype ranges, which are easier to build, and through the use of alternative build options such as Timber Frames, Large Format Block and Light Gauge Steel Frames. We continue to expect that overall build cost inflation for FY19 will be c. 3-4%.

During FY18, administrative expenses were slightly lower than expected at £146.3m (2017: £132.8m), benefiting from some additional sundry income during the year. In FY19 we expect to receive both lower management fees from our joint ventures and less sundry income. Accordingly, despite carefully controlling our administrative cost base, with expected underlying inflation of c. 2%, we expect net administrative expenses to be around £165m.

#### **Commercial developments**

WBD is our commercial development division.

During the year WBD completed a 300,000 sq. ft. extension to a distribution warehouse it had previously built in Rochdale, together with two new specialist distribution facilities on the edge of Leicester and Nottingham, all of which were forward funded prior to starting on site. WBD also delivered a freehold design and build storage and distribution warehouse.

Commercial development revenue was £47.8m (2017: £61.1m) with an operating profit before adjusting items of £8.0m (2017: £10.2m). After charging a £3.0m (2017: £8.8m) provision against legacy commercial properties, we recognised an operating profit of £5.0m (2017: £1.4m).

#### **Health and safety**

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

Increased activity levels across the industry in terms of site openings and production volumes combined with shortages of skilled workers has contributed to an increased risk of accidents on sites. We remain fully committed to the highest standards of health and safety on our sites. In the year, our reportable injury incidence rate has increased with 462 (2017: 379) reportable incidents per 100,000 employees. We have already undertaken a review into factors that have contributed to this increase and will be working with our management teams to drive improvements in the prevention of injuries.



Reflecting our ongoing commitment to health and safety, nine of our site managers were awarded the prestigious “highly commended” status at the annual NHBC Health and Safety Awards, and our site manager at Ness Castle, Inverness was awarded the National Award in the Large Builder category.

## Capital Return Plan

The Board proposes to pay a final ordinary dividend of 17.9 pence (2017: 17.1 pence) per share for the financial year ended 30 June 2018, which subject to shareholder approval, will be paid on 6 November 2018 to shareholders on the register at the close of business on 12 October 2018. Together with the interim ordinary dividend of 8.6 pence per share, which was paid in the year, this gives a total ordinary dividend for the year of 26.5 pence per share (2017: 24.4 pence per share). With basic earnings per share of 66.5p (2017: 61.3p) the ordinary dividend is therefore covered around two and a half times by earnings, in line with our ordinary dividend policy.

Under the special cash payment programme the Board is proposing a payment of £175m (17.3 pence per share), which subject to shareholder approval, will be paid by way of a special dividend on 6 November 2018 to shareholders on the register at the close of business on 12 October 2018.

	Ordinary dividend £m	Special dividend £m	Total Capital Return £m	Total pence per share
Capital Return Plan <sup>A</sup>				
<b>Paid to date<sup>B</sup></b>	667.6	399.7	1,067.3	106.1p
<b>Proposed payment</b>				
November 2018	181.1 <sup>D</sup>	175.0	356.1	35.2 p <sup>D</sup>
Year to November 2019	277.2 <sup>C,D</sup>	175.0	452.2	44.7 p <sup>D</sup>
<b>Total proposed payment</b>	458.3 <sup>C,D</sup>	350.0	808.3	79.9 p <sup>D</sup>
<b>Total Capital Return Plan</b>	1,125.9	749.7	1,875.6	186.0 p <sup>D</sup>

A All ordinary and special dividends are subject to shareholder approval. The fourth special dividend will be subject to shareholder approval at the Annual General Meeting in October 2018 and subsequent special dividends will be subject to shareholder approval.

B Comprises FY15 interim dividend of 4.8 pence per share (£47.5m), FY15 final dividend of 10.3 pence per share (£103.1m), FY15 special dividend of 10.0 pence per share (£100.0m), FY16 interim dividend of 6.0 pence per share (£60.1m), FY16 final dividend of 12.3 pence per share (£123.6m), FY16 special dividend of 12.4 pence per share (£124.7m), FY17 interim dividend of 7.3 pence per share (£73.4m), FY17 final dividend of 17.1 pence per share (£172.9m), FY17 special dividend of 17.3 pence per share (£175.0m) and FY18 interim dividend of 8.6 pence per share (£87.0m).

C Based on Reuters consensus estimates of earnings per share of 68.4 pence for FY19 as at 31 August 2018 and applying a two and a half times dividend cover in line with previously announced policy. This consensus estimate is provided for illustration purposes. No member of the Group nor any of their respective directors, officers or employees: (i) has commented on the consensus estimate, (ii) endorses the consensus estimate, or (iii) accepts any responsibility whatsoever for the accuracy of the consensus estimate and shall accordingly have no liability whatsoever in respect of the consensus estimate.

D Based upon 30 June 2018 share capital of 1,011,791,077 shares for proposed payments.

We have a well-defined ordinary dividend policy with the Group paying an ordinary dividend cover of two and a half times. We have previously announced that when market conditions allow, ordinary dividends will be supplemented with special dividends and in February 2018 the Board proposed to extend the special dividend and pay dividends of £175m in November 2018 and 2019.

Whilst the Board propose no change to the existing arrangement to pay the special dividend of £175m in November 2018, it has reviewed the mechanism for delivering the £175m cash return to shareholders in November 2019 and any future special dividends beyond the current commitment period. The Board believes that at times there are differences between market valuation and both underlying market conditions and the strength of our business.

As a consequence, the Board is proposing to introduce flexibility to this policy such that the £175m cash return proposed in November 2019, and any future special returns, can be made through a combination of share buybacks and special dividends, as opposed to solely special dividends. Whilst the payment of special dividends represents the Board’s preferred method of returning excess capital to shareholders, this recognises that at certain share price points, share buybacks will be in the best interest of shareholders.

The Company will consult with shareholders on any consequential changes required to the LTPP prior to the 2019 AGM. The Board believes that this will ensure that the Company’s shareholders fully benefit from the underlying value of the business which at certain price points is not reflected in the market valuation.

## Current trading and outlook

In the first nine weeks of the financial year, the Group has achieved net private reservations per average week of 264 (FY18: 265), resulting in net private reservations per active outlet per average week of 0.75 (FY18: 0.74), with the particularly strong rate benefiting from reservations on two bespoke design and build arrangements.

Forward sales (including JVs) up 11.1%, as at 2 September 2018 at £3,054.0m (3 September 2017: £2,749.9m), equating to 12,648 units (3 September 2017: 12,160 units).

	2 September 2018		3 September 2017		Variance
Forward sales	£m	Units	£m	Units	£m
Private	1,650.4	5,273	1,722.3	4,994	(4.2)
Affordable	1,013.1	6,592	749.0	6,260	35.3
Wholly owned	2,663.5	11,865	2,471.3	11,254	7.8
JV	390.5	783	278.6	906	40.2
<b>Total</b>	<b>3,054.0</b>	<b>12,648</b>	<b>2,749.9</b>	<b>12,160</b>	<b>11.1</b>

We continue to make good progress in trading through our Central London sites and now have 118 wholly owned private units remaining, of which 77 are reserved. We have three joint ventures in Central London, one of which is Fulham Riverside. On 30 August 2018, the Group completed a deal for the sale of 162 units at our Fulham Riverside site to Riverstone Living. The deal is for the development of retirement units and anticipated to be completed in FY21.

This has been another outstanding year for the Group and we have started the new financial year in a good position, with £791.3m year-end net cash and a healthy forward order position.

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

In FY19 we are focused on our new medium term targets, being a land acquisition hurdle rate of a minimum 23% gross margin, volume growth of 3-5% and a minimum 25% ROCE, whilst continuing to lead the industry by building the highest quality homes across the country.

**David Thomas**  
Chief Executive

4 September 2018

# Consolidated Income Statement

Year ended 30 June 2018

		<b>2018 Total</b>	2017 Total
	Notes	<b>£m</b>	£m
<b>Continuing operations</b>			
Revenue	2.1	<b>4,874.8</b>	4,650.2
Cost of sales		<b>(3,865.9)</b>	(3,718.2)
<b>Gross profit</b>		<b>1,008.9</b>	932.0
<b>Analysed as:</b>			
<b>Adjusted gross profit</b>		<b>1,015.9</b>	940.8
<b>Cost associated with legacy properties</b>	2.1	<b>(7.0)</b>	(8.8)
Administrative expenses		<b>(146.3)</b>	(132.8)
<b>Profit from operations</b>	2.1	<b>862.6</b>	799.2
<b>Analysed as:</b>			
<b>Adjusted operating profit</b>		<b>869.6</b>	808.0
<b>Cost associated with legacy properties</b>	2.1	<b>(7.0)</b>	(8.8)
Finance income	5.2	<b>3.5</b>	2.9
Finance costs	5.2	<b>(48.6)</b>	(62.6)
Net finance costs	5.2	<b>(45.1)</b>	(59.7)
Share of post-tax profit from joint ventures		<b>18.6</b>	25.4
Share of post-tax (loss)/profit from associates		<b>(0.6)</b>	0.2
<b>Profit before tax</b>		<b>835.5</b>	765.1
<b>Analysed as:</b>			
<b>Adjusted profit before tax</b>		<b>842.5</b>	773.9
<b>Cost associated with legacy properties</b>	2.1	<b>(7.0)</b>	(8.8)
Tax	2.4	<b>(164.0)</b>	(149.1)
<b>Profit for the year</b>		<b>671.5</b>	616.0
<b>Profit for the year attributable to the owners of the Company</b>		<b>671.7</b>	615.8
<b>(Loss)/profit for the year attributable to non-controlling interests</b>		<b>(0.2)</b>	0.2
<b>Earnings per share from continuing operations</b>			
Basic	2.2	<b>66.5p</b>	61.3p
Diluted	2.2	<b>65.9p</b>	60.7p

# Statement of Comprehensive Income

Year ended 30 June 2018

	Notes	Group	
		2018 £m	2017 £m
<b>Profit for the year</b>		<b>671.5</b>	616.0
<b>Other comprehensive income/(expense):</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gain/(loss) on defined benefit pension scheme	6.1	29.2	(4.4)
Tax (charge)/credit relating to items not reclassified		(5.5)	0.9
<b>Total items that will not be reclassified to profit or loss</b>		<b>23.7</b>	(3.5)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Amounts deferred in respect of effective cash flow hedges	5.2	0.8	1.9
Amounts reclassified to the Income Statement in respect of hedged cash flows	5.2	(0.8)	10.2
Tax charge relating to items that may be reclassified		-	(2.4)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>-</b>	9.7
<b>Total comprehensive income recognised for the year</b>		<b>695.2</b>	622.2
<b>Total comprehensive income recognised for the year attributable to the owners of the Company</b>		<b>695.4</b>	622.0
<b>Total comprehensive (expense)/income recognised for the year attributable to non-controlling interests</b>		<b>(0.2)</b>	0.2

# 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	Group retained earnings due to shareholders of the Company £m	Total Group retained earnings due to shareholders of the Company £m	Non-controlling interests (note 4.1.1) £m	Total equity £m
<b>At 1 July 2016</b>	100.4	222.7	1,109.0	(9.7)	(3.5)	27.5	2,554.9	2,578.9	8.9	4,010.2
Profit for the year	-	-	-	-	-	-	615.8	615.8	0.2	616.0
Amounts deferred in respect of effective cash flow hedges	-	-	-	1.9	-	-	-	-	-	1.9
Amounts reclassified to the Income Statement in respect of hedged cash flows	-	-	-	10.2	-	-	-	-	-	10.2
Actuarial losses on pension scheme	-	-	-	-	-	-	(4.4)	(4.4)	-	(4.4)
Tax on items above taken directly to equity	-	-	-	(2.4)	-	-	0.9	0.9	-	(1.5)
<b>Total comprehensive income recognised for the year ended 30 June 2017</b>	-	-	-	9.7	-	-	612.3	612.3	0.2	622.2
Dividend payments	-	-	-	-	-	-	(321.7)	(321.7)	-	(321.7)
Issue of shares	0.4	2.0	-	-	-	-	-	-	-	2.4
Share-based payments	-	-	-	-	-	9.1	-	9.1	-	9.1
Purchase of own shares	-	-	-	-	(3.6)	-	-	(3.6)	-	(3.6)
Transfers in respect of exercised/lapsed options	-	-	-	-	5.8	(14.4)	8.7	0.1	-	0.1
Tax on share-based payments	-	-	-	-	-	0.7	2.8	3.5	-	3.5
<b>At 30 June 2017</b>	100.8	224.7	1,109.0	-	(1.3)	22.9	2,857.0	2,878.6	9.1	4,322.2
Profit/(loss) for the year	-	-	-	-	-	-	671.7	671.7	(0.2)	671.5
Amounts deferred in respect of effective cash flow hedges	-	-	-	0.8	-	-	-	-	-	0.8
Amounts reclassified to the Income Statement in respect of hedged cash flows	-	-	-	(0.8)	-	-	-	-	-	(0.8)
Actuarial gains on pension scheme	-	-	-	-	-	-	29.2	29.2	-	29.2
Tax on items above taken directly to equity	-	-	-	-	-	-	(5.5)	(5.5)	-	(5.5)
<b>Total comprehensive income/(expense) recognised for the year ended 30 June 2018</b>	-	-	-	-	-	-	695.4	695.4	(0.2)	695.2
Dividend payments	-	-	-	-	-	-	(434.9)	(434.9)	(1.4)	(436.3)
Issue of shares	0.5	7.9	-	-	-	-	-	-	-	8.4
Share-based payments	-	-	-	-	-	11.0	-	11.0	-	11.0
Purchase of own shares	-	-	-	-	(3.3)	-	-	(3.3)	-	(3.3)
Transfer in respect of dividends accruing to share options	-	-	-	-	-	(1.3)	1.3	-	-	-
Transfers in respect of exercised/lapsed options	-	-	-	-	3.4	(12.3)	9.0	0.1	-	0.1
Tax on share-based payments	-	-	-	-	-	(2.3)	2.7	0.4	-	0.4
<b>At 30 June 2018</b>	101.3	232.6	1,109.0	-	(1.2)	18.0	3,130.5	3,147.3	7.5	4,597.7

# Balance Sheet

At 30 June 2018

		<b>Group</b>	
	Notes	2018 £m	2017 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Other intangible assets		100.0	100.0
Goodwill	4.2	792.2	792.2
Property, plant and equipment		11.6	9.5
Investments in joint ventures and associates		234.1	213.1
Retirement benefit assets	6.1	58.7	13.6
Available for sale financial assets		3.1	3.5
Trade and other receivables		3.1	2.3
		<b>1,202.8</b>	<b>1,134.2</b>
<b>Current assets</b>			
Inventories	3.1	4,516.7	4,475.4
Available for sale financial assets		0.3	0.4
Trade and other receivables		226.8	204.5
Cash and cash equivalents	5.1	982.4	784.4
Derivative financial instruments - swaps	5.3	-	13.2
		<b>5,726.2</b>	<b>5,477.9</b>
<b>Total assets</b>		<b>6,929.0</b>	<b>6,612.1</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	5.1	(191.1)	(1.4)
Trade and other payables		(566.7)	(596.9)
Deferred tax liabilities		(25.3)	(8.0)
		<b>(783.1)</b>	<b>(606.3)</b>
<b>Current liabilities</b>			
Loans and borrowings	5.1	-	(72.5)
Trade and other payables		(1,462.4)	(1,534.2)
Derivative financial instruments - swaps	5.3	-	(5.8)
Current tax liabilities		(85.8)	(71.1)
		<b>(1,548.2)</b>	<b>(1,683.6)</b>
<b>Total liabilities</b>		<b>(2,331.3)</b>	<b>(2,289.9)</b>
<b>Net assets</b>		<b>4,597.7</b>	<b>4,322.2</b>
<b>Equity</b>			
Share capital	5.5	101.3	100.8
Share premium		232.6	224.7
Merger reserve		1,109.0	1,109.0
Retained earnings		3,147.3	2,878.6
<b>Equity attributable to the owners of the Company</b>		<b>4,590.2</b>	<b>4,313.1</b>
<b>Non-controlling interests</b>	4.1	7.5	9.1
<b>Total equity</b>		<b>4,597.7</b>	<b>4,322.2</b>

# Cash Flow Statement

Year ended 30 June 2018

		Group	
	Notes	2018 £m	2017 £m
<b>Reconciliation of operating profit to cash flow from operating activities</b>			
<b>Operating activities:</b>			
<b>Profit from operations</b>		<b>862.6</b>	799.2
Depreciation		5.4	4.1
Impairment of inventories		3.3	13.5
Profit on redemption of available for sale financial assets		(1.9)	(2.6)
Impairment of investment in entities accounted for using the equity method		2.1	1.0
Share-based payments charge		11.0	9.1
Imputed interest on deferred term payables*	5.2	(34.3)	(32.5)
Amortisation of facility fees	5.2	(2.1)	(3.3)
Finance income related to employee benefits	5.2	0.6	0.4
<b>Total non-cash items</b>		<b>(15.9)</b>	(10.3)
Increase in inventories		(44.6)	(162.3)
Increase in trade and other receivables		(39.4)	(66.7)
Decrease in trade and other payables		(102.3)	(9.7)
Decrease in available for sale financial assets		2.4	3.3
<b>Total movements in working capital</b>		<b>(183.9)</b>	(235.4)
Interest paid		(11.8)	(23.2)
Tax paid		(136.7)	(141.7)
<b>Net cash inflow from operating activities</b>		<b>514.3</b>	388.6
<b>Investing activities:</b>			
Purchase of property, plant and equipment		(7.5)	(4.0)
Increase in amounts invested in entities accounted for using the equity method		(58.6)	(54.9)
Repayment of amounts invested in entities accounted for using the equity method		11.7	37.2
Dividends received from investments accounted for using the equity method		41.8	85.1
Interest received		2.9	2.5
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(9.7)</b>	65.9
<b>Financing activities:</b>			
Dividends paid to equity holders of the Company	2.3	(434.9)	(321.7)
Distribution made to non-controlling partner	4.1.1	(1.4)	-
Purchase of own shares		(3.3)	(3.6)
Proceeds from disposal of own shares		0.1	0.1
Proceeds from issue of share capital		8.4	2.4
Loan repayments		(69.6)	(105.6)
Drawdown of loans including issue of sterling US private placement notes		200.0	0.3
Cancellation of swaps		(5.9)	-
<b>Net cash outflow from financing activities</b>		<b>(306.6)</b>	(428.1)
<b>Net increase in cash and cash equivalents</b>		<b>198.0</b>	26.4
<b>Cash and cash equivalents at the beginning of the year</b>		<b>784.4</b>	758.0
<b>Cash and cash equivalents at the end of the year</b>	5.1	<b>982.4</b>	784.4

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

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## Section 1 – Basis of preparation

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### 1.1 Cautionary statement

The Chairman's Statement and Chief Executive's Statement commentary contained in this Annual Results Announcement, including the principal risks and uncertainties (note 7.4), have been prepared by the Directors in good faith based on the information available to them up to the time of their approval of this report solely for the Company's shareholders as a body, so as to assist them in assessing the Group's strategies and the potential for those strategies to succeed and accordingly should not be relied on by any other party or for any other purpose and the Company hereby disclaims any liability to any such other party or for reliance on such information for any such other purpose.

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

### 1.2 Basis of preparation

Whilst the financial information included in this Annual Results Announcement has been prepared in accordance with IFRS as issued by the IASB, IFRIC interpretations and SIC interpretations as adopted and endorsed by the EU, this announcement does not itself contain sufficient information to comply with IFRS. Full Financial Statements that comply with IFRS are included in the 2018 Annual Report and Accounts which will be circulated to shareholders in September 2018 and made available at [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk) at that point.

The accounting policies adopted are consistent with those followed in the preparation of the Group's 2018 Annual Report and Accounts which have not changed from those adopted in the Group's 2017 Annual Report and Accounts except as disclosed in note 1.4.

This Annual Results Announcement has been prepared under the historical cost convention as modified by the revaluation of 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 consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, actual results may ultimately differ from those estimates. The Directors have made no individual critical accounting judgements that have a significant impact upon the Financial Statements, apart from those involving estimations.

The most significant estimates made by the Directors in these condensed consolidated financial statements are set out within 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's statement. The material financial and operational risks and uncertainties that may have an impact upon the Group's performance and their mitigation are outlined in note 7.4 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 5.4 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 Risk management section in note 7.4, factors that particularly affect the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for the Group's customers and interest rates. In forming their conclusion, the Directors have considered all currently available information about the potential future outcomes of events and changes in conditions that are reasonably possible at the time of making this statement. In doing this they have concluded that no material uncertainties exist.

At 30 June 2018 the Group had total committed bank facilities and private placement notes of £900.0m. The final maturity dates of these facilities range from December 2022 to August 2027, with the £700.0m revolving credit



facility maturing in December 2022 and the sterling US private placement notes maturing in August 2027. The committed facilities and private placement notes provide appropriate headroom above our current forecast debt requirements.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the condensed consolidated financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these condensed consolidated financial statements. For this reason, they continue to adopt the going concern basis in the preparation of these condensed consolidated financial statements.

## 1.4 Adoption of new and revised standards

During the year ended 30 June 2018, the Group has adopted the following new and revised standards:

- Amendments to IAS 7 (Statement of Cash Flows) resulting in enhanced disclosures of changes in financial liabilities in note 5.1.
- Amendments to IFRS 12 (Disclosure of Interests in Other Entities) included in the Annual Improvements to IFRS Standards 2014–2016 Cycle which has had no impact on the Financial Statements.
- Amendments to IAS12: Recognition of Deferred Tax Assets for Unrealised Losses which has had no impact on the Financial Statements.

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## Section 2 – Results for the year and utilisation of profits

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

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

## 2.1 Segmental analysis

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

	House- building	Commercial developments	2018 Total	House- building	Commercial developments	2017 Total
	Units	Units	Units	Units	Units	Units
<b>Residential completions *</b>	<b>16,680</b>	<b>-</b>	<b>16,680</b>	16,645	-	16,645
<b>Consolidated Income Statement</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Revenue	<b>4,827.0</b>	<b>47.8</b>	<b>4,874.8</b>	4,589.1	61.1	4,650.2
Cost of sales	<b>(3,821.6)</b>	<b>(37.3)</b>	<b>(3,858.9)</b>	(3,661.9)	(47.5)	(3,709.4)
Cost associated with legacy properties **	<b>(4.0)</b>	<b>(3.0)</b>	<b>(7.0)</b>	-	(8.8)	(8.8)
Gross profit	<b>1,001.4</b>	<b>7.5</b>	<b>1,008.9</b>	927.2	4.8	932.0
Administrative expenses	<b>(143.8)</b>	<b>(2.5)</b>	<b>(146.3)</b>	(129.4)	(3.4)	(132.8)
Profit from operations	<b>857.6</b>	<b>5.0</b>	<b>862.6</b>	797.8	1.4	799.2
Share of post-tax profit/(loss) from joint ventures and associates	<b>18.5</b>	<b>(0.5)</b>	<b>18.0</b>	26.5	(0.9)	25.6
Profit from operations including post-tax profit/(loss) from joint ventures and associates	<b>876.1</b>	<b>4.5</b>	<b>880.6</b>	824.3	0.5	824.8
Finance income			<b>3.5</b>			2.9
Finance costs			<b>(48.6)</b>			(62.6)
Profit before tax			<b>835.5</b>			765.1
Tax			<b>(164.0)</b>			(149.1)
<b>Profit for the year from continuing operations</b>			<b>671.5</b>			616.0

\* Residential completions exclude joint venture completions of 899 (2017: 750) in which the Group has an interest.

\*\* During the year an amount of £7.0m (2017: £8.8m) was provided in respect of costs associated with legacy properties. These costs have been separately disclosed in the Income Statement. In determining the sum provided it was necessary to estimate the cash flows associated with the assets, and to discount a proportion of these at an appropriate rate. The discount rate was determined at 3.8% (2017: 2.3%) with reference to the Group's forecast average cost of long-term debt.

	House- building £m	Commercial developments £m	2018 Total £m	House- building £m	Commercial developments £m	2017 Total £m
<b>Balance Sheet</b>						
Segment assets	<b>5,959.9</b>	<b>16.9</b>	<b>5,976.8</b>	5,821.4	27.6	5,849.0
Elimination of intercompany balances			<b>(30.2)</b>			(21.3)
			<b>5,946.6</b>			5,827.7
Cash and cash equivalents			<b>982.4</b>			784.4
<b>Consolidated total assets</b>			<b>6,929.0</b>			6,612.1
Segment liabilities	<b>(1,995.8)</b>	<b>(63.5)</b>	<b>(2,059.3)</b>	(2,081.9)	(76.3)	(2,158.2)
Elimination of intercompany balances			<b>30.2</b>			21.3
			<b>(2,029.1)</b>			(2,136.9)
Loans and borrowings			<b>(191.1)</b>			(73.9)
Deferred tax liabilities			<b>(25.3)</b>			(8.0)
Current tax liabilities			<b>(85.8)</b>			(71.1)
<b>Consolidated total liabilities</b>			<b>(2,331.3)</b>			(2,289.9)

	House- building £m	Commercial developments £m	2018 Total £m	House- building £m	Commercial developments £m	2017 Total £m
<b>Other information</b>						
Capital additions	<b>7.5</b>	-	<b>7.5</b>	4.0	-	4.0
Depreciation	<b>5.4</b>	-	<b>5.4</b>	4.1	-	4.1

## 2.2 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Parent Company of £671.7m (2017: £615.8m) by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust that do not attract dividend equivalents which are treated as cancelled, which was 1,010.7m (2017: 1,004.3m) shares.

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Parent Company of £671.7m (2017: £615.8m) 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 1,020.0m (2017: 1,014.7m) shares.

The earnings per share from continuing operations were as follows:

	<b>2018</b>	2017
	<b>pence</b>	pence
Basic earnings per share	<b>66.5</b>	61.3
Diluted earnings per share	<b>65.9</b>	60.7

## 2.3 Dividends

	<b>2018</b>	2017
	<b>£m</b>	£m
<b>Amounts recognised as distributions to equity shareholders in the year:</b>		
Final dividend for the year ended 30 June 2017 of 17.1p (2016: 12.3p) per share	<b>172.9</b>	123.6
Special dividend for the year ended 30 June 2017 of 17.3p (2016: 12.4p) per share	<b>175.0</b>	124.7
Interim dividend for the year ended 30 June 2018 of 8.6p (2017: 7.3p) per share	<b>87.0</b>	73.4
<b>Total dividends distributed to equity shareholders in the year</b>	<b>434.9</b>	321.7

	<b>2018</b>	2017
	<b>£m</b>	£m
Proposed final dividend for the year ended 30 June 2018 of 17.9p (2017: 17.1p) per share	<b>181.1</b>	172.2
Proposed special dividend for the year ended 30 June 2018 of 17.3p (2017: 17.3p) per share	<b>175.0</b>	175.0

The proposed final dividend and the special dividend are subject to approval by shareholders at the Annual General Meeting. The cost has been calculated based on the issued share capital at 30 June 2018 and has not been included as a liability at 30 June 2018.

## 2.4 Tax

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

The current year tax charge has been provided for, by the Group, at a standard effective rate of 19.0% (2017: 19.75%) and the closing deferred tax assets and liabilities have been provided in these condensed consolidated financial statements at a rate of between 17.0% and 19.0% (2017: between 17.0% and 19.0%) of the temporary differences giving rise to these assets and liabilities, dependent upon when they are expected to reverse.

### 2.4.1 Tax recognised in the Income Statement

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

## Analysis of the tax charge for the year

	2018 £m	2017 £m
<b>Current tax:</b>		
UK corporation tax for the year	161.0	152.8
Adjustment in respect of previous years	(6.5)	0.5
	154.5	153.3
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(1.4)	(3.1)
Adjustment in respect of previous years	10.9	(0.4)
Impact of reduction in corporation tax rate	-	(0.7)
	9.5	(4.2)
<b>Tax charge for the year</b>	<b>164.0</b>	<b>149.1</b>

## Factors affecting the tax charge for the year

The tax rate assessed for the year is higher (2017: lower) than the standard effective rate of corporation tax in the UK of 19.0% (2017: 19.75%). The differences are explained below:

	2018 £m	2017 £m
<b>Profit before tax</b>	<b>835.5</b>	<b>765.1</b>
Profit before tax multiplied by the standard rate of corporation tax of 19.0% (2017: 19.75%)	158.7	151.1
Effects of:		
Other items including non-deductible expenses	3.3	1.0
Additional tax relief for land remediation costs	(2.1)	(1.8)
Adjustment in respect of previous years	4.4	0.1
Adjustment for post-tax profits of certain joint ventures included in Group profit before tax	(0.3)	(0.6)
Impact of change in tax rate on deferred tax asset	-	(0.7)
<b>Tax charge for the year</b>	<b>164.0</b>	<b>149.1</b>

### 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 £5.1m (2017: £2.0m credit) was recognised directly in equity.

## Section 3 – Working capital

### 3.1 Inventories

	Group	
	2018 £m	2017 £m
Land held for development	2,963.4	2,895.6
Construction work in progress	1,463.1	1,509.1
Part-exchange properties and other inventories	90.2	70.7
	4,516.7	4,475.4

#### 3.1.1 Nature and carrying value of inventories

The Group's principal activities are housebuilding and commercial development. The majority of the development activity is not contracted prior to the development commencing. Accordingly, the Group has in its Balance Sheet at 30 June 2018 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 £13.2m (2017: £16.8m) and gross impairment reversals of £9.9m (2017: £3.3m), resulting in a net impairment charge of £3.3m (2017: £13.5m) included within profit from operations.

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

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

### 3.1.2 Expensed inventories

The value of inventories expensed in the year ended 30 June 2018 and included in cost of sales was £3,619.7m (2017: £3,509.6m).

## Section 4 – Business combinations and other investing activities

### 4.1 Business combinations

#### 4.1.1 Non-controlling interests

	<b>Group</b>	
<b>Movement in non-controlling interest share of net assets recognised in the Consolidated Balance Sheet</b>	<b>2018 £m</b>	<b>2017 £m</b>
At 1 July	9.1	8.9
Distribution of profits to non-controlling partner	(1.4)	-
Share of (loss)/profit for the year recognised in the Consolidated Income Statement	(0.2)	0.2
<b>At 30 June</b>	<b>7.5</b>	<b>9.1</b>

### 4.2 Goodwill

	<b>Group £m</b>
<b>Cost</b>	
At 1 July 2016, 30 June 2017 and 30 June 2018	<b>816.7</b>
<b>Accumulated impairment losses</b>	
At 1 July 2016, 30 June 2017 and 30 June 2018	<b>24.5</b>
<b>Carrying amount</b>	
At 30 June 2017 and 30 June 2018	<b>792.2</b>

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 intangible assets

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 target capital structure, current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Changes in these may impact upon the Group's discount rate in future

periods. The sensitivity of the valuation of goodwill and brands to changes in expectations and discount rates is set out in this note.

An impairment review was performed at 30 June 2018 and compared the value-in-use of the housebuilding segment with the carrying value of its tangible and intangible assets and allocated goodwill.

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

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

- Discount rate: this is a pre-tax rate reflecting current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Accordingly, the rate of 14.5% (2017: 14.5%) is considered by the Directors to be the appropriate pre-tax risk adjusted discount rate, being the Group's estimated long term pre-tax weighted average cost of capital.
- Expected changes in selling prices for completed houses and the related impact upon operating margin: these are determined on a site-by-site basis for the first two years dependent upon local market conditions and product type. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.
- Sales volumes: these are determined on a site-by-site basis for the first two years dependent upon local market conditions, land availability and planning permissions. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.
- Expected changes in site costs to complete: these are determined on a site-by-site basis for the first two years dependent upon the expected costs of completing all aspects of each individual development. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.

The result of the value-in-use exercise concluded that the recoverable value of goodwill and intangible assets exceeded its carrying value by £1,731.4m (2017: £1,720.8m) and there has been no impairment.

Management have performed a sensitivity analysis in assessing recoverable amounts of goodwill, based on changes in key assumptions considered to be possible. These have included a change in the pre-tax discount rate of 1% and changes in the long term growth rate of 1%.

The sensitivity analysis shows no impairment would arise in isolation under each scenario.

## 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:

		<b>Group</b>	
	Notes	2018 £m	2017 £m
<b>Cash and cash equivalents</b>	5.1.1	<b>982.4</b>	784.4
<b>Drawn debt</b>			
<b>Borrowings</b>			
Government loans		-	(21.4)
Sterling US private placement notes		<b>(200.0)</b>	-
US Dollar private placement notes		-	(61.6)
Prepaid fees		<b>8.9</b>	9.1
<b>Total borrowings being total drawn debt</b>		<b>(191.1)</b>	(73.9)
<b>Derivative financial instruments</b>			
Foreign exchange swaps	5.3	-	13.2
<b>Net cash</b>		<b>791.3</b>	723.7

<b>Total borrowings at 30 June are analysed as:</b>			
Non-current borrowings		<b>(191.1)</b>	(1.4)
Current borrowings		-	(72.5)
<b>Total borrowings being drawn debt</b>		<b>(191.1)</b>	(73.9)

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

	<b>Group</b>	
	2018 £m	2017 £m
Net increase in cash and cash equivalents	<b>198.0</b>	26.4
<b>Repayment/(drawdown) of borrowings including issue of sterling US private placement notes:</b>		
Loan repayments	<b>21.4</b>	105.6
Repayment of US Dollar private placement notes	<b>48.4</b>	-
Issue of sterling US private placement notes	<b>(200.0)</b>	-
<b>Other movements in borrowings:</b>		
Movement in prepaid fees	<b>(0.2)</b>	(0.3)
Foreign exchange loss on US Dollar private placement notes	<b>(0.8)</b>	(1.7)
Foreign exchange gain on swaps	<b>0.8</b>	1.7
Movement in net cash in the year	<b>67.6</b>	131.7
Opening net cash	<b>723.7</b>	592.0
<b>Closing net cash</b>	<b>791.3</b>	723.7

#### 5.1.1 Cash and cash equivalents

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

## 5.1.2 Borrowings and facilities

All debt facilities at 30 June 2018 are unsecured.

The principal features of the Group's debt facilities at 30 June 2018 and 30 June 2017 were as follows:

	Facility	Amount drawn		Maturity
		30 June 2018	30 June 2017	
<b>Committed facilities</b>				
Revolving credit facility (RCF)	£700.0m	–	–	29 December 2022
Fixed rate sterling US private placement notes	£200.0m	<b>£200.0m</b>	–	22 August 2027
Government loans*	-	-	£16.8m	Repaid in full on 3 April 2018
Local government loan agreements	-	-	£4.6m including £0.2m interest	Repaid in full on 31 March 2018
Fixed rate US Dollar private placement notes	-	-	\$80.0m	Repaid in full on 23 August 2017

\*Government loans comprised cash received for specific sites under the Government's 'Get Britain Building' scheme, which were repaid during the year as described in the table above.

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

Weighted average interest rates are disclosed in note 5.2.

## 5.2 Net finance costs

### Recognised in the Consolidated Income Statement:

	Notes	2018 £m	2017 £m
<b>Finance income</b>			
Finance income on short term bank deposits		(1.1)	(0.7)
Finance income related to employee benefits	6.1	(0.6)	(0.4)
Other interest receivable		(1.8)	(1.8)
		<b>(3.5)</b>	(2.9)
<b>Finance costs</b>			
Interest on loans and borrowings		9.8	12.0
Imputed interest on deferred term payables		34.3	32.5
Amounts reclassified to the Income Statement in respect of hedged cash flows		(0.8)	10.2
Foreign exchange losses on US Dollar debt		0.8	1.7
Amortisation of facility fees		2.1	3.3
Other interest payable		2.4	2.9
		<b>48.6</b>	62.6
<b>Net finance costs</b>		<b>45.1</b>	59.7

### Recognised in equity:

	2018 £m	2017 £m
Amounts deferred in respect of effective cash flow hedges	(0.8)	(1.9)
<b>Total fair value movement on cash flow swaps included in equity</b>	<b>(0.8)</b>	(1.9)
Amounts reclassified to the Income Statement in respect of hedged cash flows	0.8	(10.2)
<b>Total fair value movement on cash flow swaps transferred from equity</b>	<b>0.8</b>	(10.2)



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

		<b>Group</b>
	<b>2018</b>	2017
	%	%
Bank loans excluding swap interest	-	1.7
Net swap payment	-	5.4
Government loans	<b>1.7</b>	1.9
Term loans	-	4.4
Private placement notes	<b>3.0</b>	8.2

### 5.3 Derivative financial instruments – swaps

At 30 June 2018 the Group had no derivative financial instruments. In previous years the Group 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.

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 had both an interest rate and an exchange rate element and only the exchange rate element on the notional amount of the swap is included within the net cash note.

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

	<b>Group</b>	
	<b>2018</b>	2017
	£m	£m
<b>Designated as cash flow hedges:</b>		
Foreign exchange swap – exchange rate element	-	13.2
Foreign exchange swap – interest rate element	-	-
<b>Current asset</b>	-	13.2
<b>Interest rate swaps – current liability</b>	-	(5.8)
<b>Net derivative financial instruments</b>	-	7.4

#### 5.3.1 Interest rate swaps

The Group entered into derivative transactions in the form of swap arrangements to swap floating rate debt into fixed rate sterling debt in accordance with the Group Treasury policy outlined in note 5.4, to manage the cash flow risks related to interest rates arising from the Group's sources of finance.

On 22 August 2017 the Group, utilising the break clause, cancelled the £25.0m 2022 interest rate swap at fair value.

After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

<b>2018</b>			2017		
£m	Fixed rate payable %	Maturity	£m	Fixed rate payable %	Maturity
-	-	-	25.0	5.64	2022*

\*Included a break clause allowing the Group or counterparty to cancel the swap on 22 August 2017 at fair value.

During the previous year the Group concluded that future floating rate borrowing was no longer expected to be highly probable and as a result, the Group discontinued prospectively hedge accounting for the interest rate swap. The loss previously recognised on the interest rate swap of £5.8m was reclassified from equity to the Income Statement during the year ended 30 June 2017. This is included in the Statement of Consolidated Income within the £10.2m reclassified to the Income Statement in that year. In addition, during the year ended 30 June 2017 hedging ineffectiveness of £0.7m was credited to the Consolidated Income Statement.

#### 5.3.2 Foreign exchange swaps

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

On 23 August 2017 the Group repaid its US \$80.0m US private placement notes in full and at 30 June 2018, the Group had no outstanding foreign currency debt (2017: US \$80.0m). The swap arrangements entered into to swap

all of this debt into fixed rate sterling debt, in accordance with the Group Treasury policy outlined in note 5.4, matured on 23 August 2017.

After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

2018			2017		
US\$m	Fixed rate payable %	Maturity	US\$m	Fixed rate payable %	Maturity
-	-	-	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 7.4. 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 of which the most material are: credit risk, liquidity risk, interest rates and the availability of funding at reasonable margins. There is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management to ensure that liquidity risks are promptly identified and appropriate mitigating actions are taken by the Treasury department. These forecasts are further stress-tested at a Group level on a regular basis to ensure that adequate headroom within facilities and banking covenants is maintained. In addition, the Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance, in particular by using financial instruments, including debt and derivatives, to hedge interest rates and currency rates. The Group does not use derivative financial instruments for speculative purposes.

The Board approves treasury policies and certain day-to-day treasury activities which 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 22.2% (2017: 11.3%) of available committed facilities at 30 June 2018. In addition, the Group had £982.4m (2017: £784.4m) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2018. 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 a minimum of two years with a target of two to three years. At 30 June 2018, the average maturity of the Group's facilities was 5.5 years (2017: 4.1 years).

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

	Group	
	2018 £m	2017 £m
Expiry date		
In more than two years but not more than five years	700.0	700.0

In addition, the Group had £81.2m (2017: £71.2m) of undrawn uncommitted facilities available at 30 June 2018.

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

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

Group	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
<b>2018</b>				
Financial liabilities	-	200.0	1,692.2	1,892.2
<b>Financial liability exposure to interest rate risk</b>	-	200.0	1,692.2	1,892.2
<b>2017</b>				
Financial liabilities (excluding derivatives)	16.8	66.2	1,828.7	1,911.7
Impact of interest rate swaps	(25.0)	25.0	-	-
<b>Financial liability exposure to interest rate risk</b>	(8.2)	91.2	1,828.7	1,911.7

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 2018 was 1.6% (2017: 3.7%).

Sterling US private placement notes of £200.0m (2017: £nil) were issued on 22 August 2017 with a fixed coupon of 2.77% and a ten year maturity. These fixed rate notes expose the Group to fair value interest rate risk. At 30 June 2017 the Group had US Dollar denominated private placement notes of £61.6m, arranged at fixed interest rates which exposed the Group to fair value interest rate risk. The weighted average interest rate for fixed rate US Dollar denominated private placement notes, after the effect of foreign exchange rate swaps, for 2017 was 8.2% with, at 30 June 2017, a weighted average period of 0.2 years for which the rate was fixed.

### **Sensitivity analysis**

In the year ended 30 June 2018, if UK interest rates had been 0.5% higher/lower (considered to be a reasonably possible change) and all other variables were held constant, the Group's pre-tax profit would increase/decrease by £1.6m (2017: £0.9m), the Group's post-tax profit would increase/decrease by £1.3m (2017: £0.7m) and the Group's equity would increase/decrease by £1.3m (2017: £0.7m).

### 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. Included within trade and other receivables is £83.5m (2017: £64.1m) due from Homes England in respect of the Help to Buy scheme. Since this receivable is due from a UK Government agency, the Group considers that this receivable has an insignificant risk of default. In addition the Group has £982.4m (2017: £784.4m) on deposit with seven financial institutions. Other than this, the Group has no significant concentration of credit risk, as its exposure is spread over a large number of counterparties and customers.

The Group manages credit risk in the following ways:

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

The maximum exposure to any counterparty at 30 June 2018 was £152.3m (2017: £140.0m) of cash on deposit with a financial institution. The carrying amount of financial assets recorded in the condensed consolidated financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

#### 5.4.4 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 Group's approach to the management of the principal operational risks of the business is set out in the Risk management section in note 7.4.

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

## 5.5 Share capital

### 5.5.1 Ordinary share capital

	2018 £m	2017 £m
<b>Allotted and issued ordinary shares:</b>		
10p each fully paid: 1,012,722,682 (2017: 1,007,899,274) ordinary shares	<b>101.3</b>	100.8

	2018 number	2017 number
<b>Options over the Company's shares granted during the year</b>		
<b>Options granted:</b>		
LTPP	<b>2,223,717</b>	2,594,923
Sharesave	<b>2,755,257</b>	2,671,967
DBP	<b>567,557</b>	520,442
	<b>5,546,531</b>	5,787,332

	2018 number	2017 number
<b>Allotment of shares during the year</b>		
At 1 July	<b>1,007,899,274</b>	1,003,607,066
Issued to satisfy early exercises under Sharesave schemes	<b>50,846</b>	115,153
Issued to satisfy exercises under matured Sharesave schemes	<b>2,567,996</b>	1,297,729
Issued to satisfy vesting of LTPP awards	<b>1,711,888</b>	2,126,790
Issued to satisfy exercises under the DBP	<b>477,912</b>	712,296
Issued to the EBT to satisfy future exercises	<b>14,766</b>	40,240
At 30 June	<b>1,012,722,682</b>	1,007,899,274

### 5.5.2 Own shares reserve

The own shares reserve represents the cost of shares in Barratt Developments PLC purchased in the market or issued by the Company and held by the Barratt Developments Employee Benefit Trust on behalf of the Company in order to satisfy options and awards that have been granted under the Barratt Developments PLC Executive and Senior Management Share Option Plans, the LTPP and the DBP. Other than shares in the EBT allocated to share schemes which attract dividend equivalents, 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.

	2018	2017
Ordinary shares in the Company held in the EBT (number)	931,605	1,170,233
Market value of shares held in the EBT at 515.4p (2017: 563.5p) per share	£4,801,492	£6,594,263

During the year the EBT purchased 483,379 shares in the market and disposed of 736,773 shares in settlement of exercises under the Senior Management Share Option Plan 2009/10, the Executive Share Option Scheme, the DBP and the SMIS. A further 2,204,566 shares were issued to the EBT at par, of which 2,189,800 were used to satisfy the vesting of the 2014 LTPP and the 2014 DBP.

## Section 6 – Directors and employees

### 6.1 Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

#### 6.1.1 Defined contribution schemes

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

	2018 £m	2017 £m
<b>Contributions during the year</b>		
Group defined contribution schemes Consolidated Income Statement charge	9.4	8.2

At the balance sheet date, there were outstanding contributions of £1.6m (2017: £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 Directors engage a qualified independent actuary to calculate the Group's asset in respect of its defined benefit pension scheme. In calculating this asset, it is necessary for actuarial assumptions to be made, which include estimations of discount rates, salary and pension increases, price inflation, the long term rate of return upon scheme assets and mortality. As actual rates of increase and mortality may differ from those assumed, the pension liability/asset may differ from that included in these condensed consolidated financial statements. The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below.

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

At the balance sheet date, there were outstanding contributions of £1.2m (2017: £2.0m).

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	2018	2017
<b>Weighted average assumptions to determine benefit obligations</b>		
Discount rate	<b>2.91%</b>	2.60%
Rate of price inflation	<b>3.30%</b>	3.21%
<b>Weighted average assumptions to determine net cost</b>		
Discount rate	<b>2.60%</b>	2.90%
Rate of price inflation	<b>3.21%</b>	2.80%

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 1953 (life expectancy at age 65)	23.2 years	25.1 years
Non-retired member born in 1973 (life expectancy at age 65)	24.6 years	26.6 years

The base mortality assumptions are based on the SAPS (S2PA) (2017: S2PA) mortality tables with an adjustment to allow for the Scheme members being treated as if they are 1.5 years younger than the population of the S2PA mortality tables. Allowance for future increases in life expectancy is made in line with the CMI 2017 projections with a long term trend of 1.25% per annum (2017: CMI 2016 projections with a long term trend of 1.25% per annum).

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

Assumptions	Change in assumption	Increase in Scheme liabilities	
		£m	%
Discount rate	Decrease by 0.1%	7.1	2.0
Rate of inflation	Increase by 0.1%	3.3	0.9
Life expectancy	Increase by 1 year	15.0	4.2

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

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

	2018 £m	2017 £m
Interest cost	<b>9.9</b>	11.1
Interest income	<b>(10.5)</b>	(11.5)
<b>Total pension income recognised in net finance costs in the Consolidated Income Statement</b>	<b>(0.6)</b>	(0.4)
<b>Total pension income recognised in the Consolidated Income Statement</b>	<b>(0.6)</b>	(0.4)

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

	2018 £m	2017 £m
Expected return less actual return on Scheme assets	(11.1)	(20.1)
(Gain)/loss arising from changes in the assumptions underlying the present value of benefit obligations	(18.1)	24.5
<b>Total pension (income)/cost recognised in the Group Statement of Comprehensive Income</b>	<b>(29.2)</b>	4.4

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

	2018 £m	2017 £m
Present value of funded obligations	357.3	397.2
Fair value of Scheme assets	(416.0)	(410.8)
<b>Surplus for funded Scheme/net asset recognised in the Group Balance Sheet at 30 June</b>	<b>(58.7)</b>	(13.6)

	2018 £m	2017 £m
Net asset for defined benefit obligations at 1 July	(13.6)	(8.1)
Contributions paid to the Scheme	(15.3)	(9.5)
Income recognised in the Consolidated Income Statement	(0.6)	(0.4)
Amounts recognised in the Group Statement of Comprehensive Income	(29.2)	4.4
<b>Net asset for defined benefit obligations at 30 June</b>	<b>(58.7)</b>	(13.6)

A deferred tax liability of £11.1m (2017: £2.6m) has been recognised in the Group Balance Sheet in relation to the pension asset.

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

	2018 £m	2017 £m
Present value of benefit obligations at 1 July	397.2	405.4
Interest cost	9.9	11.1
Actuarial (gain)/loss	(18.1)	24.5
Benefits paid from Scheme	(31.7)	(43.8)
<b>Present value of benefit obligations at 30 June</b>	<b>357.3</b>	397.2

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

	2018 £m	2017 £m
Fair value of Scheme assets at 1 July	410.8	413.5
Interest income	10.5	11.5
Actuarial gain on Scheme assets	11.1	20.1
Employer contributions	15.3	9.5
Benefits paid from Scheme	(31.7)	(43.8)
<b>Fair value of Scheme assets at 30 June</b>	<b>416.0</b>	410.8

The analysis of Scheme assets was as follows:

	2018		2017	
	£m	%	£m	%
Quoted equity securities	61.2	14.7	102.4	24.9
Debt securities	349.2	83.9	307.1	74.8
Other	5.6	1.4	1.3	0.3
<b>Total</b>	<b>416.0</b>	<b>100.0</b>	410.8	100.0

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

The actual return on Scheme assets was as follows:

	2018 £m	2017 £m
<b>Actual return on Scheme assets</b>	<b>21.6</b>	<b>31.6</b>

The expected employer contribution to the Scheme in the year ending 30 June 2019 is £14.5m.

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 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 £452.7m (2017: £464.1m), and confirm that at the date of these condensed consolidated financial statements the possibility of cash outflow is considered minimal and no provision is required.

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

The Group received notification in January 2018 that no liability exists in respect of certain employees under this scheme, however previous correspondence received in November 2017 stated that the Actuary was not in a position to calculate any remaining Section 75 debts due to the complexities of applying the relevant legislation to this scheme. In July 2018, the Trustees issued their consultation response confirming a proposed methodology for calculating the Section 75 obligation and that debt notices would be issued by June 2019. Disclosure on this matter is therefore made in accordance with note 7.1.3.

The Directors consider that whilst it is increasingly probable that a liability could result in the future, at present there remain uncertainties underlying any such calculation. Given the most recent communication with the Trustees, a provision has been recognised in relation to this matter as at 30 June 2018.

Following the Grenfell Tower tragedy, the Government commissioned an Independent Review of Building Regulations and Fire Safety. It also established a Building Safety Programme to cover existing high-rise residential buildings over 18 metres. The Group has undertaken a review of all of its current and legacy buildings where it has used cladding. Approved Inspectors signed off all of our buildings, including the cladding used, as compliant with the relevant Building Regulations during construction and on completion. While we are satisfied that we currently have no liability in respect of cladding, we have made a £4.0m provision for the work we have undertaken to carry out at one site to remove and replace cladding in line with our commitment to put our customers first. The Financial Statements have been prepared based on currently available information, however, future changes to Building Regulations and Fire Safety Regulations may occur as a result of the Government's review, the impact of which is currently unknown.

#### **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 £33.2m at 30 June 2018 (2017: £62.5m). The Group has also provided principal guarantees of £9.0m (2017: £9.0m) and cost and interest overrun guarantees in relation to the borrowings of a number of the Group's London joint ventures. At 30 June 2018, no cost or interest overruns had been incurred (2017: £nil). The Group's maximum exposure under these cost and interest overrun guarantees is estimated at £18.8m as at 30 June 2018 (2017: £18.1m).

At 30 June 2018, the Group has an obligation to repay £0.9m (2017: £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 2018.

### **7.1.3 Contingent liabilities related to legal claims**

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

There are no contingent liabilities in relation to legal claims at 30 June 2018, other than as disclosed in note 7.1.1.

## **7.2 Related party transactions**

### **7.2.1 Remuneration of key personnel**

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

Disclosures related to the remuneration of key personnel as defined in IAS 24 'Related Party Disclosures' will be provided in note 6.1 of the 2018 Annual Report and Accounts.

There have been no related party transactions as defined in Listing Rule 11.1.5R for the year ended 30 June 2018.

### **7.2.2 Transactions between the Company and its subsidiaries**

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

The amount outstanding to the Company from subsidiary undertakings at 30 June 2018 totalled £83.0m (2017: £75.8m).

During the year ended 30 June 2018, the Company made management and other charges to subsidiaries of £75.8m (2017: £62.7m) and paid net interest on Group loans from subsidiaries of £1.9m (2017: £9.4m).

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

### **7.2.3 Transactions between the Group and its 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 £16.0m (2017: £10.1m) and £1.6m (2017: £1.8m) respectively. During the year the Group purchased land and part exchange properties from its joint ventures for £2.0m. 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 £41.8m (2017: £85.1m) from its joint ventures.

The amount of outstanding loans and interest due to the Group from its joint ventures at 30 June 2018 is £104.9m (2017: £174.9m) 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 2018 totalled £29.5m (2017: £9.1m).

The amount of outstanding loans and other amounts due from the Group to its joint ventures totalled £2.2m (2017: £1.2m).

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

### **7.2.4 Transactions between the Group and its associate**

The amount of outstanding loans due to the Group from its associate at 30 June 2018 was £nil (2017: £nil). There were no other amounts outstanding to the Group from its associate as at 30 June 2018.

The Group has no contingent liabilities relating to its associate.

### **7.3 Statutory accounts**

The condensed consolidated financial statements for the year ended 30 June 2018 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 2018 Annual Report and Accounts will be circulated to shareholders in September 2018 and will be made available on its website [www.barrattdevelopments.co.uk](http://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 2018 (as defined in Sections 434 and 436 of the Companies Act 2006) but is derived from the 2018 Annual Report and Accounts and the accounts contained therein. Statutory accounts for 2018 will be delivered to the Registrar of Companies prior to the Company's Annual General Meeting which will be held on 17 October 2018. 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 2017 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 2017 report of the auditor is unqualified and does not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

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

## 7.4 Risk management

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

The principal risks are set out in the table below.

<b>Risk</b>	<b>A Economic environment, including housing demand and mortgage availability</b>	<b>B Land availability</b>	<b>C Availability of finance and working capital</b>	<b>D Attracting and retaining high-calibre employees</b>	<b>E Availability of raw materials, sub-contractors and suppliers</b>
<b>Risk description</b>	Changes in the UK and European macroeconomic environments, including but not limited to, flat or negative economic growth, inflation, interest rates, buyer confidence, mortgage availability, Government backed schemes, competitor pricing, falls in house prices or land values.	The inability to secure sufficient consented land and strategic land options at an appropriate cost and quality.	Unavailability of sufficient borrowing facilities and the inability to refinance facilities as they fall due, obtain surety bonds, or comply with borrowing covenants. Furthermore, there are risks from management of working capital such as conditional contracts, build costs, joint ventures and the cash flows related to them.	The ability to recruit and/or retain employees with the appropriate skills or sufficient numbers of such employees.	Shortages or increased costs of materials and skilled labour, the failure of a key supplier or the inability to secure supplies upon appropriate credit terms.
<b>Relevance to our strategy</b>	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. Changes in the economic environment, including the impact of the Brexit vote and any change or removal of the Government's Help to Buy scheme, may lead to falling demand or lower prices achieved for houses, which in turn would affect our volume	Securing more sites that meet our hurdle rates of margin and site ROCE will enable disciplined volume growth.  Insufficient land would affect our ability to achieve our volume targets and ability to provide profitable growth.	Availability of sufficient committed and surety facilities ensures that the Group can manage changes in the economic environment and take advantage of appropriate land buying and operational opportunities to help deliver sustainable shareholder value.  Reduced borrowing facilities and/or working capital would affect the Group's ability to service liabilities (including pension funding).	Development of skilled employees is critical to delivery of the Group's strategy of profit and volume growth through a focus on efficiency and the continued delivery of attractive cash returns.  Failure to attract or retain employees with the appropriate skills would affect these targets.	Maintaining sufficient material and skilled sub-contractor availability will enable disciplined volume growth.  Failure to do so may lead to increased costs and delays in construction which in turn would affect our volume targets and ability to provide profitable growth.

Risk	A Economic environment, including housing demand and mortgage availability	B Land availability	C Availability of finance and working capital	D Attracting and retaining high-calibre employees	E Availability of raw materials, sub-contractors and suppliers
	targets and ability to provide profitable growth and lead to impairments of the Group's inventories, goodwill and intangible assets.				
<b>KPIs</b>	Gross margin, Operating margin, PBT, ROCE, EPS, TSR, Total completions.	Owned and controlled land bank years, Land approvals, Gross margin, Operating margin, PBT, ROCE, EPS, TSR.	Year end net cash/ debt.	Employee engagement score.	Customer service, Gross margin, Operating margin, PBT, ROCE, EPS, TSR, Total completions.
<b>Mitigation</b>	<ul style="list-style-type: none"> <li>• Board, Executive Committee, regional and divisional management reviews</li> <li>• Quarterly site valuations</li> <li>• Comprehensive sales policies and regular review of pricing, local markets and developing good working relationships with mortgage lenders</li> <li>• Maintenance of an appropriate capital structure and Balance Sheet control</li> </ul>	<ul style="list-style-type: none"> <li>• All potential land acquisitions are subject to formal appraisal and approval by the Land Committee</li> <li>• Group, regional and divisional review of land currently owned, committed and identified against requirements</li> <li>• Formal relationship management with key land suppliers</li> <li>• Review by Land Committee and management on strategic land and sites</li> <li>• Land forum and academy training events</li> <li>• Increased usage of strategic land</li> </ul>	<ul style="list-style-type: none"> <li>• Committed bank facilities and private placement notes of £900.0m with maturity on the RCF in 2022 and the private placement notes in 2027</li> <li>• Regular forecasts of working capital and cash requirements and compliance with banking covenants</li> <li>• Policy requiring minimum headroom of £150.0m of drawings against committed facilities</li> <li>• Maintenance of an appropriate capital structure and Balance Sheet control</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive Human Resources programme including apprenticeship schemes, a graduate development programme, succession planning and training academies tailored to each discipline</li> <li>• Ongoing monitoring of employee turnover and absence statistics and feedback from exit interviews</li> <li>• Annual employee engagement survey to measure employee satisfaction</li> <li>• Remuneration benchmarking against industry competitors</li> </ul>	<ul style="list-style-type: none"> <li>• Centralised team procures the majority of the Group's materials from within the UK including sub-contractor materials, ensuring consistent quality and costs</li> <li>• 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</li> <li>• Establishing a key supplier audit programme to assess risks to the reliability of supply continuity</li> <li>• 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</li> <li>• Control around all build and material costs throughout build programmes</li> </ul>
<b>Risk profile</b>	High	Medium	Low	High	High

<b>Risk</b>	<b>A Economic environment, including housing demand and mortgage availability</b>	<b>B Land availability</b>	<b>C Availability of finance and working capital</b>	<b>D Attracting and retaining high-calibre employees</b>	<b>E Availability of raw materials, sub-contractors and suppliers</b>
<b>Change in risk profile from previous year</b>	No change	No change	No change	No change	No change
<b>Likelihood change during the year</b>	No change	No change	No change	No change	No change
<b>Impact of change during the year</b>	No change	No change	No change	No change	No change
<b>Commentary</b>	Sales rates and markets have remained stable over the last year. The economic environment continues to be characterised by low interest rates and good mortgage availability. The UK economic outlook is positive but there is medium term uncertainty due to the Brexit vote.	The Group's land bank is in a strong position and the Group continues to see a good supply of new land and strategic land opportunities.	In August 2017, the Group entered into a new fixed rate £200.0m US private placement. In December 2017, the Group extended its £700.0m RCF. The Group has £791.3m of net cash and net assets of £4,597.7m as at 30 June 2018.	There remains ongoing competitiveness for employees in the operational business, however the Group has implemented a number of initiatives to improve employee retention and engagement.	There continues to be pressure on the availability of certain build materials and skilled labour. The impact of the Brexit vote on the ongoing supply of skilled labour and imported materials is currently uncertain.
<b>Business model link</b>	1, 3, 4	1, 3	1	1, 2, 3, 4, 5	3, 5

<b>Risk</b>	<b>F Government regulation and planning policy</b>	<b>G Construction</b>	<b>H Joint ventures and consortia</b>	<b>I Safety, health and environmental</b>	<b>J IT</b>
<b>Risk description</b>	Changing complex regulatory environment which affects planning, technical requirements and the time taken to obtain planning approval.	Failure to identify and achieve key construction milestones (due to factors including the impact of adverse weather conditions), failure to identify cost overruns promptly, design and construction defects, and exposure to environmental liabilities. There are also risks associated with climate change and the use of new	Large development projects, some of which involve joint ventures or consortia arrangements and/or commercial developments, are complex and capital intensive.	Health and safety or environmental breaches can result in incidents affecting employees, sub-contractors and site visitors.	Failure of any of the Group's IT systems in particular those relating to customer information, surveying and valuation. The Group could suffer significant financial and reputational damage due to the loss, theft or corruption of data either inadvertently or via a targeted cyber-attack.

Risk	F Government regulation and planning policy	G Construction	H Joint ventures and consortia	I Safety, health and environmental	J IT
		technology in the build process, e.g. materials related to carbon reduction.			
<b>Relevance to our strategy</b>	Securing sufficient, appropriate planning permissions upon new sites will enable the Group to deliver disciplined volume growth. Changes to the regulatory environment would affect our ability to achieve our volume targets and ability to provide profitable growth.	We aim to reduce the risks inherent in the construction process and help address the shortage of skilled employees and sub-contractors through the use of MMC which is implemented where appropriate. Delays in construction, or poor product quality, could increase costs, reduce selling prices and sales volumes and result in litigation and uninsured losses.	Securing more joint venture sites that meet our hurdle rates enables disciplined volume growth. By engaging with joint ventures this assists in reducing and sharing risks on complex, capital intensive, bespoke and commercial developments. Changes in complex developments may negatively impact upon cash flows or returns.	We continue to prioritise and focus upon health and safety to seek to reduce injury rates and manage the risks inherent in the construction process. Health and safety or environmental breaches could cause potential reputational damage, criminal prosecution and civil litigation, delays in construction or increased costs.	We continue to improve integration of IT systems to enhance business control and drive efficiency. Failures of any of the Group's IT systems could adversely impact the performance of the Group.
<b>KPIs</b>	Gross margin, Operating margin, PBT, ROCE, EPS, TSR, Total completions.	Customer service, Total completions, Gross margin, Operating margin, PBT, ROCE, EPS, Construction waste intensity and Carbon intensity reduction.	ROCE, Total completions.	SHE internal audit score.	Customer service, Gross margin, Operating margin, PBT, ROCE, EPS.
<b>Mitigation</b>	<ul style="list-style-type: none"> <li>Considerable in-house technical and planning expertise focused on complying with regulations and achieving implementable planning consents that meet local requirements</li> <li>Robust and rigorous design standards for the homes and places we develop</li> <li>Policies and technical guidance manuals for employees on regulatory compliance and the standards of business conduct</li> </ul>	<ul style="list-style-type: none"> <li>Executive Committee, regional and divisional reviews and quarterly site valuations</li> <li>Continuous review of MMC and the quality of materials which are evaluated by external and internal technical experts, including the NHBC with additional inspections during build, to ensure compliance with all building and other regulations</li> <li>Monitoring and</li> </ul>	<ul style="list-style-type: none"> <li>All potential joint ventures are subject to formal appraisal and approval by the Group's Land Committee and the Board</li> <li>Once operational, the performance of joint ventures and consortia are subject to regular review</li> </ul>	<ul style="list-style-type: none"> <li>Internally resourced health and safety team</li> <li>Regular health and safety monitoring by our in-house team, internal and external audits of all operational units</li> <li>Continual reinforcement of Group health and safety and environmental policies and procedures</li> <li>Dedicated SHE Board and Operations Committees which review key performance indicators, improvement plans and reinforce the importance of health, safety and environmental</li> </ul>	<ul style="list-style-type: none"> <li>Centrally maintained IT systems</li> <li>Fully-tested disaster recovery programme</li> <li>Regular reviews to seek to reduce the risk of successful cyber-attacks</li> <li>We have implemented a series of measures to make our business processes and data management GDPR compliant. There is an ongoing review and governance</li> </ul>

Risk	F Government regulation and planning policy	G Construction	H Joint ventures and consortia	I Safety, health and environmental	J IT
	<p>expected</p> <ul style="list-style-type: none"> <li>• Consultation with Government agencies, membership of industry groups to help understand and monitor proposed regulation changes</li> </ul>	<p>improving environmental and sustainability impact of construction methods and materials used</p> <ul style="list-style-type: none"> <li>• Maintenance of appropriate insurance cover</li> <li>• Detailed build programmes and quality reviews, divisional monthly valuation meetings and sign off</li> <li>• Review of use of MMC by Group Design &amp; Technical</li> </ul>		<p>compliance</p> <ul style="list-style-type: none"> <li>• Quarterly performance reviews by divisional management within all operating units</li> <li>• Regular Senior Management reviews of developments</li> <li>• Independent reviews of our SHE processes</li> </ul>	<p>approach to assess our risks and implement mitigating actions</p> <ul style="list-style-type: none"> <li>• Group wide policies on passwords and transferring data to third parties</li> </ul>
<b>Risk profile</b>	Medium	Medium	Medium	Medium	Medium
<b>Change in risk profile from previous year</b>	No change	No change	No change	No change	No change
<b>Likelihood change during the year</b>	No change	No change	No change	No change	Increase
<b>Impact of change during the year</b>	No change	No change	No change	No change	No change
<b>Commentary</b>	<p>The planning process remains highly complex. A number of changes to the National Planning Policy Framework have been made. These measures seek to simplify and speed up the planning process. However, there are a number of other regulatory changes proposed which may impact how we design and deliver our developments, including differences</p>	<p>The Group's construction process and policies have remained unchanged in the last year. The Group continues to expand the use of its new product ranges which maintain our high standards of design whilst being faster to build, help us to reduce build cost and waste and are more suitable to MMC.</p>	<p>Our investment in JVs remains at a similar level to previous years at £234.1m (2017: £213.1m). The Group delivered 899 (2017: 750) completions from joint ventures in the year.</p>	<p>The Group continues to focus on Health and Safety including ensuring consistent controls are in place to reduce accidents and injuries. The SHE internal audit score has remained in line with the previous year.</p>	<p>The threat of external cyber-attacks continues to increase with a number of high profile incidents in the last year.</p>

<b>Risk</b>	<b>F Government regulation and planning policy</b>	<b>G Construction</b>	<b>H Joint ventures and consortia</b>	<b>I Safety, health and environmental</b>	<b>J IT</b>
	in building regulations across England, Scotland and Wales.				
<b>Business model link</b>	1, 2	2, 3	1, 3	2, 3	1, 2, 3, 4, 5

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



## **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 company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period.

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

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

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

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

### **Fair, balanced and understandable**

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

### **Directors' responsibility statement**

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

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

By order of the Board

David Thomas  
Chief Executive  
4 September 2018

Jessica White  
Chief Financial Officer  
4 September 2018

## Glossary

Active outlet	A site with at least one plot for sale
AGM	Annual General Meeting
ASP	Average selling price
CMI	The actuarial profession's Continuous Mortality Investigation
DBO	Defined Benefit Obligation
DBP	Deferred Bonus Plan
EBT	Barratt Developments Employee Benefit Trust
EPS	Earnings per share
EU	European Union
FRC	Financial Reporting Council
FY	Refers to the financial year ended 30 June
GDPR	General Data Protection Regulation
Gross margin	Gross profit divided by total revenue
HBF	Home Builders Federation
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISDA	International Swaps and Derivatives Association
JVs	Joint ventures
LIBOR	The London Interbank Offered Rate
LTPP	Long Term Performance Plan
MMC	Modern methods of construction
Net cash	Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps
Net tangible assets	Group net assets less other intangible assets and goodwill
New Code	UK Corporate Governance Code issued in July 2018 (a copy of which is available from <a href="http://www.frc.org.uk">www.frc.org.uk</a> )
NHBC	National House Building Council
Operating margin	Profit from operations divided by revenue
PBT	Profit before tax
RCF	Revolving Credit Facility
RSPB	Royal Society for the Protection of Birds
ROCE	Return on capital employed ('ROCE') is calculated as earnings before interest, tax, operating charges relating to the defined benefit pension scheme and operating adjusting or exceptional items, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments
Sharesave	Savings-Related Share Option Scheme
SHE	Safety, Health and the Environment
SIC	Standing Interpretations Committee
Site ROCE	Site ROCE on land acquisition is calculated as site operating profit (site trading profit less overheads less allocated administrative overheads) divided by average investment in site land, work in progress and equity share
SMIS	Senior Manager Incentive Scheme
the Scheme	The Barratt Group Pension & Life Assurance Scheme
Total completions	Unless otherwise stated total completions quoted include JVs
TSR	Total shareholder return