

2 September 2021

Barratt Developments PLC
Annual Results Announcement for the year ended 30 June 2021

A year of excellent performance. Well positioned for the year ahead.

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

“We have made excellent progress this year thanks to the resilience, flexibility and hard work of our employees, sub-contractors and suppliers, who have also continued to deliver the highest standards of quality and service. We have begun the new financial year in a strong position and, whilst there are still uncertainties ahead, our strong balance sheet, forward order book visibility and construction activity to date all stand us in good stead. There is very strong demand for houses across the country and we play a crucial role in providing the high quality and sustainable homes this country needs. As we work towards our medium term target of growing completions to 20,000 homes a year, we are committed to doing so as the leading national sustainable housebuilder - building homes which have a positive environmental, social and economic impact today and into the future.”

£m unless otherwise stated^{1,2,3}	Year ended 30 June 2021	Year ended 30 June 2020	Change	Year ended 30 June 2019	Change
Total completions (homes) ⁴	17,243	12,604	36.8%	17,856	(3.4%)
Revenue	4,811.7	3,419.2	40.7%	4,763.1	1.0%
Gross margin (%)	21.0	18.0	300bps	22.8	(180bps)
Profit from operations	811.1	493.4	64.4%	901.1	(10.0%)
Operating margin (%)	16.9	14.4	250bps	18.9	(200bps)
Profit before tax	812.2	491.8	65.1%	909.8	(10.7%)
Basic earnings per share (pence)	64.9	39.4	64.7%	73.2	(11.3%)
Total ordinary dividend per share (pence)	29.4	nil	n/m	29.1	1.0%
ROCE (%)	28.3	15.6	1,270bps	29.7	(140bps)
Net cash	1,317.4	308.2	327.4%	765.7	72.1%

Highlights

- Excellent operational and financial performance throughout the year with total home completions⁴ increasing by 36.8% to 17,243 (2020: 12,604), just 3.4% below the 17,856 total completions achieved in 2019.
- Gross margin of 21.0% (2020: 18.0%; 2019: 22.8%) with the adjusted gross margin recovering to 23.2% (2020: 18.5%; 2019: 22.8%) reflecting market strength and completion volume recovery.
- Strong cash generation with net cash at 30 June 2021 of £1,317.4m (30 June 2020: £308.2m; 30 June 2019: £765.7m) which enables our growth plans.
- Maintained competitive position in the land market, whilst remaining disciplined. Approved £876.8m (2020: £368.1m; 2019: £859.8m) of operational land for purchase, equating to 18,067 plots (2020: 9,441 plots; 2019: 18,448 plots) on 97 new sites (2020: 51; 2019: 90).
- Continued industry leadership in quality and customer service recognised through a seventeenth consecutive year of achieving more NHBC Pride in the Job Awards than any other housebuilder and the twelfth consecutive year of receiving the HBF maximum 5 Star customer satisfaction rating.
- Made significant progress towards being the country’s leading national sustainable housebuilder, with an increased focus on significantly reducing our environmental impact.
- Final ordinary dividend per share of 21.9p (2020: nil; 2019: 19.5p) together with the interim dividend of 7.5p (2020: nil; 2019: 9.6p) resulting in a total ordinary dividend for the financial year of 29.4p (2020: nil; 2019: 29.1p).

Current trading

- Net private reservations per active outlet per average week at 0.83 from 1 July through to 22 August, 11.7% below the equivalent initial post lockdown period in FY21 at 0.94, but 22.1% above the 0.68 achieved in the same period in FY20.
- Strong forward sales⁴ as at 22 August 2021 with 15,734 homes (23 August 2020: 15,660 homes; 25 August 2019: 13,064 homes) and a value of £3,939.9m (23 August 2020: £3,706.5m; 25 August 2019: £3,037.5m).
- Construction activity on track to deliver planned output growth with 335 equivalent homes per average week built to date in the new financial year (FY21: 290 homes; FY20: 361 homes).

1. Refer to Glossary for definition of key financial metrics
2. Unless otherwise stated, all numbers quoted exclude JVs
3. In addition to the Group using a variety of statutory performance measures it also measures performance using alternative performance measures (APMs). Definitions of the APMs and reconciliations to the equivalent statutory measures are detailed in the Definitions of alternative performance measures and reconciliation to IFRS section. Net cash definition in Note 5.1
4. Including JVs in which the Group has an interest

Certain statements in this document may be forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Accordingly undue reliance should not be placed on forward looking statements. Nothing contained in this announcement or the Group's website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

There will be an analyst conference call and webcast at 8.30am today. An archived version of the webcast will also be available on our website during the afternoon of 2 September 2021.

Dial in UK toll free: 0808 109 0700

International dial in: +44 (0) 203 003 2666

The presentation will also be webcast live with the follow on Q&A. Please register and access the webcast using the following link:

<https://broadcaster-audience.mediaplatform.com/#/event/610bcc07ab59730374da68e7>

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

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Chairman's statement

Introduction

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

Our employees

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

The physical and mental wellbeing of our employees remains a priority for the Board. We continue to introduce new ways of supporting our employees whether they are working from home, on site or in the office. The Board also continues to monitor the development of diversity and inclusion as we seek to create an environment that promotes equal opportunities for all.

Our culture

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

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

The Board recognises that the culture of the Group is driven by its leadership and continuously strives to lead by example.

Sustainability

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

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

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

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

We are also making good progress towards our compliance with the TCFD recommendations. In addition, following stakeholder interest, we will, with the publication of our Annual Report, begin reporting against the Sustainability Accounting Standards Board's (SASB) disclosure criteria. This will be available on our website www.barrattddevelopments.co.uk with the Annual Report publication later this month.

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

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

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

Building safety

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

We will continue to dedicate significant focus to this area, as founding signatories to the Building Safety Charter and active members of the Early Adopters Group, which is committed to protecting life by putting safety first ahead of all other building priorities. The Executive Directors and I also continue to engage with all relevant stakeholders to try and identify the much needed industry solutions to support leaseholders and residents.

Board changes

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

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

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

As announced on 29 June 2021, Mike Scott will join the Board as our new Chief Financial Officer at a date to be agreed. Mike brings a wealth of financial experience as he currently holds the same position at Countryside Properties PLC and we are delighted to be welcoming him to the Group.

Stakeholder engagement

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

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

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

Dividend

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

AGM

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

Looking to the future

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

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

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

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

John Allan

Chairman

1 September 2021

Chief Executive's statement

Introduction

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

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

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

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

Housing market fundamentals

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

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

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

For the industry to continue to increase new home supply, it is vital that home buyers can access affordable and competitive mortgage finance. The revised Help to Buy scheme continues for first time buyers through to 31 March 2023. We continue to explore alternative ways to support our customers and are currently trialling the Deposit Unlock Scheme, which offers a 95% mortgage, with a UK mainstream lender.

Performance overview

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

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

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

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

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

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

Our targets for the coming year and medium term

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

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

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

Our gross margin target remains at a minimum 23%

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

Our ROCE target remains at a minimum 25%

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

Long term value creation

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

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

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

Keeping people safe

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

In response to COVID-19 we implemented extensive working practices and protocols, which we have continued to refine and update in line with the latest guidance from Government, Public Health Authorities and the Construction Leadership Council. We also enhanced our induction, training and support for our employees and sub-contractors. Our arrangements were certified by the British Safety Council that they were in accordance with guidance and best practice, demonstrating our commitment to providing a safe and healthy workplace.

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

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

Responsible development

Citiscap and associated review

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

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

External wall systems and associated review

As stated in the Chairman's statement, we remain focused on the complex issues surrounding fire safety and cladding.

Consequently, we have established a Building Safety Unit which will bring additional expertise and resources to review and assess the construction of our multi-storey buildings in light of Government guidance on cladding and external wall systems.

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

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

Costs in relation to legacy properties

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

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

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

Competitions and Markets Authority

On 11 June 2019 the Competition and Markets Authority (CMA) announced it had opened an investigation into the leasehold housing market. On 4 September 2020 the CMA announced it had opened cases with respect to ourselves and three of our competitors in relation to possible breaches of consumer protection law in the residential leasehold sector. Following these announcements, we have responded to a number of CMA requests for information. We are committed to putting our customers first and continue to engage with the CMA whilst it completes its investigation.

Charitable giving

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

The Barratt Developments PLC Charitable Foundation

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

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

Barratt and David Wilson Community Fund

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

Employee engagement in our charitable activities

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

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

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

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

Current trading and outlook

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

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

Whilst the net reservation rate is 11.7% below that reported in FY21 it should be highlighted that the prior year comparative was a particularly active period, reflecting both pent-up demand following the national lockdown, as well as increased Help to Buy reservation activity ahead of the changes which would remove access to Help to Buy for existing homeowners.

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

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

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

Based on current market conditions, improved construction activity levels and assuming no further COVID-19 related disruption, we expect to grow wholly owned completions to between 17,000 and 17,250 homes in FY22, and in addition complete around 750 home completions from our JVs, whilst ensuring we maintain our industry leading standards of quality and customer service.

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

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

We have substantial net cash balances, a well-capitalised balance sheet, a strong forward sales position and clear plans to secure both incremental home completion growth and further operating efficiencies in the year ahead. We also have the continued ambition to accelerate our actions to deliver leading sustainability progress, further enhancing business resilience and our customer proposition.

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

David Thomas
Chief Executive
1 September 2021

Financial review

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

Results for the year ended 30 June 2021

Sales activity

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

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

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

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

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

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

Profitability

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

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

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

- **Completion volumes:** the most significant item was the recovery in our wholly owned completion volumes, with a 37.3% or 4,483 home increase creating a 310 bps positive impact (2020: 190 bps negative impact).

• **Net impact of selling prices relative to build costs:** sales price inflation across the year relative to underlying build cost inflation produced a 90 bps positive impact (2020: 50 bps negative impact).

• **New sites:** the benefit of the Group's minimum 23% gross margin hurdle rate on new land acquisitions and the improved build cost performance of our housing range generated a 60 bps positive impact (2020: 50 bps positive impact).

• **Site extension costs:** these costs arose from the expected extension in site durations due to COVID-19, reflecting both the lockdown period and incremental build time on sites, of approximately six months. Reflecting the recovery in site efficiency through the year, new site starts and the completion of sites carrying these additional costs, there was a reduced charge of £15.8m (2020: £29.1m) across all ongoing sites in 2021 and a 30 bps positive impact (2020: 90 bps negative impact) on the adjusted operating margin.

• **Mix and other items:** changes in sales mix and other smaller items combined to create a 20 bps negative impact (2020: 60 bps negative).

• **Administrative expenses:** the reintroduction of annual employee incentives following the decision to make no payments under the 2020 annual employee incentive schemes, delivery against share incentive scheme targets, and a slight reduction in sundry income with a modest offsetting increase in part-exchange income, contributed to a significant increase in net administrative expenses. This deducted 150 bps (2020: added 120 bps) from the adjusted operating margin. In FY22, we expect administrative expenses will increase to c. £230m, reflecting a further reduction in sundry income alongside inflationary pay increases and disciplined investment in people and our IT systems.

• **Non-productive site overheads:** costs totalling £45.2m in 2020 that would normally have been capitalised to WIP but were expensed due to the absence of activity during the initial lockdown period did not repeat in the year and had a 90 bps positive impact (2020: 130 bps negative impact) on the adjusted operating margin.

• **Inventory provision release:** changes in the expected revenues and profitability across the land bank and development portfolio resulted in a net provision release of £3.5m compared to an £8.2m charge in 2020. The net impact of £11.7m resulted in a 20 bps incremental increase in the adjusted operating margin (2020: 20 bps reduction).

There were two operating adjusting items recognised during the year:

• **Cost associated with legacy properties:** the Group incurred an additional £81.9m (2020: £39.9m) of costs in the year. Of this £32.5m (2020: £11.4m) related to legacy properties comprising costs relating to external wall systems and associated reviews. A further £49.4m (2020: £28.5m) related to Citiscap and associated reviews, which were substantially completed in the year. Following the establishment of our in-house Building Safety Unit, in FY22 we anticipate adjusted items of at least £40m for costs associated with EWS and cladding related remediation activities. These are costs that we may agree to incur beyond our contractual and legal obligations, and in response to evolving legislation.

• **Repayment of CJRS grant income:** through the period of temporary closure of the business in 2020, where around 85% of our employees were placed on furlough, we used the Government's CJRS and received £26.0m of grant income. With the Board's decision, in July 2020, to repay all CJRS funds received, the Group recognised the total grant income received in 2020 as adjusted income. In 2021, the return of this grant income has been recognised as an adjusting cost.

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

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

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

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

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

With the substantial recovery in Group profitability in 2021, our ROCE improved to 28.3% (2020: 15.6%; 2019: 29.7%).

Cash flow

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

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

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

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

- A £385.9m decrease in inventories reflecting the partial reversal of elevated construction work in progress carried at the end of last year following the disruption to completions caused by COVID-19, as well as a modest decrease in land investment in the year;

- A £93.1m increase in receivables reflecting the significantly higher level of construction and sales activity in the last quarter when compared with activity in the last quarter of 2020 which was severely disrupted by COVID-19 and the initial national lockdown;
- A £74.8m increase in respect of payables. This consisted of a £133.6m reduction in land creditors and a £208.4m increase in trade and other payables reflecting a higher level of activity with our suppliers and sub-contractors compared to the period most affected by COVID-19 in our last quarter in 2020; and
- A £39.4m increase in provisions reflecting the additional costs associated with legacy properties.

Balance sheet

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

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

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

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

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

The key dimensions underpinning delivery of our strategy

Land and planning

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

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

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

We continue to target a regionally balanced land portfolio with a supply of owned land of c. 3.5 years and a further c. 1.0 year of controlled land. Our target of a shorter than sector average land bank recognises our focus on ROCE and our fast build and sell model. Reflecting our focus on future growth, we remain above this target with 4.7 years land supply at 30 June 2021 (30 June 2020: 6.7; 30 June 2019: 4.7). Our land bank comprised of 4.0 years of owned land and 0.7 years of controlled land at 30 June 2021.

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

Our land bank at 30 June comprised:

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

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

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

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

Reflecting our success with planning over the past 12 months we are well positioned, with all of our expected FY22 completions (2020: all of our FY21 completions) having outline or detailed planning consent.

Improving efficiency and reducing costs

Improving the efficiency of our operations and controlling costs remains a key focus for the Group. This will enhance our margin and ROCE and improve the resilience of our business.

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

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

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

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

Operating framework and capital structure

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

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

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

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

Treasury

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

Tax strategy

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

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

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

Pensions

The Group historically operated a funded defined benefit pension scheme, which, with effect from 30 June 2009, ceased to offer future accrual. The Group operates the Scheme under the UK regulatory framework, with a legally separate fund that is Trustee administered. The Trustees are responsible for ensuring that the Scheme is sufficiently funded to meet current and future benefit payments and for the investment policy with regard to Scheme assets.

In June 2021, the Trustees completed a buy-out of our defined benefit pension scheme with a leading insurer, securing the pensions of members for the future. As a result, the assets and liabilities of the pension scheme have been derecognised. The buy-out and derecognition of the assets and liabilities of the pension scheme resulted in a one-off income statement charge of £1.1m. See note 6.2 for more details.

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

Guidance for FY22

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

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

A strong financial position entering FY22

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

Building Sustainably

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

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

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

Refreshing our Sustainability Framework

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

We have refreshed and expanded our Sustainability Framework to incorporate new challenges and move to more stretching targets. Our Building Sustainably Framework is built around three core pillars – Environment, Communities and People and is our blueprint for identifying and operationally driving the positive changes we want to make.

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

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

Our sustainability performance

We are pleased to have made good progress against our previous framework and we are now focused on driving performance against our refreshed Framework; for example, our waste intensity has decreased to 5.89 tonnes per 100m² legally completed build area, following an increase from 6.53 in 2019 to 7.70 in 2020, as a result of the strategic interventions made.

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

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

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

Climate change

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

For our emission reporting this year we have chosen to switch from the financial to the operational control method and have restated our historic emissions accordingly. We believe this model to be a truer reflection of our direct emissions and whilst the change has increased our 2018 baseline by c.10%, our percentage reduction targets remain the same. In relation to FY21 our market based emission intensity measure has remained flat (1.78 tonnes CO₂e/100m²), which is due to absolute emissions increasing in line with business growth. Whilst positively we have seen reductions in emissions from vehicles and as a result of switching to renewable energy tariffs, these gains have been offset by natural fluctuations in diesel emissions arising from weather and increased site activities. We anticipate our absolute emissions will reduce significantly in the next two years as reduction initiatives take effect.

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

Scope 1, 2 and 3 GHG emissions have been measured in accordance with the operational control method of the GHG Protocol. All scope 1 and 2 GHG emissions arise in the UK. Emission factors come from BEIS 'UK Government Conversion Factors for Company Reporting 2020'.

Scope 1, 2 and selected scope 3 GHG emissions (business travel: 2,980 tCO₂e; fuel & energy related activities: 6,176 tCO₂e; and use of sold products: 1,352,982 tCO₂e) have limited independent assurance to the ISAE 3000 (revised) standard.

Comparative figures have been restated.

For a copy of the Independent Assurance Statement, our full Carbon Reporting Methodology Statement and a full breakdown of scope 3 GHG emissions, see our website www.barrattdevelopments.co.uk.

Net Zero Transition Plan

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

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

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

We continue to analyse all other emissions across our value chain as we progress on our journey, so that we can drive the initiatives that will have a meaningful impact on our scope 3 targets.

Value chain emissions

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

Around 40% of these emissions arise from 'our homes in use' – the electricity and heating our customers use while living in our homes. This is an area of increasing regulation, with clear Government targets for emission reductions detailed in the Future Homes Standard. Our commitments for carbon reductions here will be achieved through fabric efficiency, energy efficient equipment and the use of renewables and alternative heating technologies where possible.

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

Standards, frameworks, benchmarks and indices

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

Many of the sustainability priorities for our business and our Building Sustainably Framework are driven by the UN SDGs. We continue to progress on our journey to achieve full compliance with the recommendations of the TCFD and we will, with the publication of our Annual Report, begin reporting against the Sustainability Accounting Standards Board's (SASB) disclosure criteria. This will be available on our website www.barrattdevelopments.co.uk with the publication of the 2021 Annual Report.

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

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

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

You can find more information on all our inputs to our most material benchmarks and indices on the website: www.barrattdevelopments.co.uk.

Customer first

Strategic priority
<ul style="list-style-type: none"> • We deliver customer satisfaction through building high quality homes and creating a positive customer experience throughout the home buying process. • We monitor our customers' evolving needs and aspirations through continuous customer feedback and surveys and use this to continually improve the homes and places we build.

Our objectives and value creation			
Short term – 1 year	Medium term – up to 3 years	Medium term – up to 3 years	Long term – 3+ years
<p>We will replace our CRM system and deliver an online portal for our customers.</p> <p>This will further improve our customer service by providing easier access to documentation and customer care.</p>	<p>We plan to develop content for customers allowing access to regulated mortgage help direct from our website.</p> <p>This will provide easier access to clear, regulated information on the appropriate finance for them.</p>	<p>We will also work with the HBF on the launch of the New Homes Ombudsman and supporting Consumer Code.</p> <p>This will provide further confidence in our sales process, the quality of our homes and our customer care.</p>	<p>We will continue to work with mortgage lenders and the Government to develop green mortgages that recognise the lifetime ownership savings our energy efficient homes provide for customers.</p> <p>This will lead to lower mortgage interest rates or enhanced mortgage lending terms.</p>

Customer service

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

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

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

A long term investment

We have made a significant investment over many years in our processes and procedures to support excellent customer service. Every aspect of a customer's journey is continually re-appraised to enhance customer service, including the customer's experience from the first visit to our website and sales centres, their interactions with our sales teams throughout the process, and the efficient follow up and rectification of any issues by our Customer Care team after moving into their new home.

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

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

Effective communication using technology

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

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

Customer care

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

Homes that address customer needs and lifestyles

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

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

Energy efficiency reduces whole life costs and improves sustainability

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

Mortgage advice and accessibility

Most of our customers require advice on mortgages and financial assistance, which they can obtain through our network of independent mortgage advisers. To provide a seamless and efficient service, we have an online mortgage advice service via a regulated third party to support our customers. We are continuing trials of a regulated 'decision in principle' functionality through this channel.

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

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

Supporting the NHS and our Armed Forces

Following its launch in May 2020, we were delighted by the take up of our "Big Barratt NHS Thank You" scheme which, following its initial success, was extended through to June 2021.

The scheme, put together to show our gratitude to all NHS employees working hard to look after people through the pandemic, provided a 5% deposit, up to £15,000, to help NHS employees buy any new Barratt or David Wilson home. Over the life of the scheme 1,943 NHS employees took advantage of the offer, with the Group funding over £22.8m of deposit contributions.

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

Great places

Strategic priority
<ul style="list-style-type: none"> • We build long term relationships to secure attractive land opportunities where people aspire to live. • Through great design and planning expertise, we aim to create sustainable homes and developments for our customers, where they can create thriving communities with a positive environmental legacy.

Our objectives and value creation		
Short term – 1 year	Medium term – up to 3 years	Long term – 3+ years
<p>We aim to secure 18,000 to 20,000 high-quality land bank plots across the country through our disciplined approval process.</p> <p>This will enable business growth whilst creating value for stakeholders through Great Places development design, biodiversity net gain on all new sites, appropriate usage of MMC and continually refining our house type range.</p>	<p>We will continue to refine our house types to meet changing customer demands, planning and building regulations.</p> <p>This will add value through continued customer demand for our quality homes and develop ongoing relationships with landowners, planning authorities and other stakeholders.</p>	<p>Our focus remains on leading the development of sustainable places that satisfy the country's need for more housing whilst also creating a positive economic, social and environmental legacy.</p> <p>This will add value by creating the homes needed by our customers, whilst also creating local economic growth, enhancing local communities and creating a positive impact on the environment in and around the Great Places we create.</p>

Land bank

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

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

Throughout the last year, we have focused on optimising our existing land bank through replanning to deliver more efficient use of space and attractive street scenes for our customers, whilst delivering additional outlets for our business from further dual branding. We have also reviewed our housetype designs in response to changing market trends and customer feedback.

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

Continually evolving housetype design

We have a standard housetype range for both our Barratt and David Wilson Homes brands, with the most popular and build-efficient housetypes making up our core ranges. We continuously review, consolidate and evolve our housetypes in response to customer, sales and construction feedback, as well as design input reflecting both future legislative changes and our own targets, and to ensure that our new standard housetype designs will be net zero carbon in use from 2030.

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

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

Our standard housetype ranges comprised 65.3% of homes completed in the year (2020: 60.2%; 2019: 36.4% of homes completed). Feedback from our customers continues to be positive and our build teams and sub-contractors appreciate our housetypes because their simpler designs and footprints mean they are more efficient to build.

'Built For Life' – designing great places

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

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

Biodiversity

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

Our BNG plans are in place with resources and models for our land buying teams and agreed Biodiversity Net Gain Maintenance and Monitoring Plans being developed for these sites. BNG will become mandatory two years after Royal Assent of the new Environment Bill, which is now not expected until 2023, but a number of Local Planning Authorities are already requesting proposed developments deliver a BNG as part of their planning process. We have continued to roll out our programme to achieve our BNG targets, including running regional workshops across the country to promote best practice.

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

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

Water efficiency

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

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

Leading construction

Strategic priority
<ul style="list-style-type: none"> • We deliver the highest quality homes by focusing on excellence across all aspects of construction. • We continue to work with our supply chain partners to develop MMC at scale. • Our construction processes, in collaboration with our supply chain partners, are key to our sustainability targets.

Our objectives and value creation		
Short term – 1 year	Medium term – 3 to 5 years	Long term – 5+ years
<p>We will focus on a further increase in construction activity to deliver additional output in line with our completions target for FY22, whilst ensuring our industry leading standards around build quality are maintained and our waste intensity is reduced.</p> <p>This will add value through delivering additional high quality homes for our customers, providing incremental revenue and profitability for our shareholders and reduce the waste impact on the environment from the homes we build.</p>	<p>We will accelerate our roll out of MMC to deliver 30% of completions from MMC by 2025.</p> <p>This will add value by helping to mitigate ongoing skilled labour supply constraints, shorten build times improving capital efficiency, accelerate our waste intensity reduction and, through the use of low embodied carbon building materials, reduce the embodied carbon in the homes we build.</p>	<p>Our objective is to deliver zero carbon homes in use from 2030 and to be a net zero greenhouse gas emissions business covering all our direct operations by 2040.</p> <p>This will add value through the lower lifetime costs for our customers, deliver a significant contribution to society and the environment and ensure long term value creation for our shareholders.</p>

Build recovery

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

Build quality

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

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

Site management excellence recognised for a record 17th year

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

In June 2021, our site managers won 93 awards (2020: 92), more than any other housebuilder for 17 consecutive years. This achievement demonstrates the high standard of work that our site managers and their teams deliver, and reinforces to our customers the quality of our product.

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

Innovation

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

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

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

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

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

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

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

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

Zero carbon homes in use by 2030

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

We have been working with the HBF Future Homes Task Force to communicate the key challenges to the delivery of these ambitions, including the time needed for supply chains and skills development to adapt to these new technologies.

Waste management

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

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

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

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

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

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

We have also seen positive outcomes from collaboration with our supply chain to eliminate single use plastics and maximise resources. We no longer dispose of timber joists used for stairwell protection during the build process. We also no longer wrap timber I-beams in plastic during the summer months, and we are conducting a trial to reduce the use of shrink-wrap on bricks, by either removing it or using it only as a “top” cover to avoid rain damage.

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

Investing in our people

Strategic priority
<ul style="list-style-type: none"> • People are the heart of our business and we aim to attract and retain the best by investing in their development and success. We have well established apprenticeship schemes to attract the next generation to our industry. • We seek to create a great place to work, founded on an open and honest culture that embraces diversity and inclusion.

Our objectives and value creation		
Short term – 1 year	Medium term – up to 3 years	Long term – 3+ years
<p>We will focus on retaining and attracting the best people through our enhanced benefits packages, our plans on returning to our offices and new ways of working, as well as through enhanced training and development initiatives, in combination with an increased focus on employee wellbeing.</p> <p>This will add value by limiting staff turnover, attracting new employees to our business and ensuring that our employees feel valued and motivated to deliver excellent build quality and customer service.</p>	<p>We will focus on our recruitment programmes to broaden our talent pipelines and bring greater diversity and inclusion to our recruitment processes and our workforce.</p> <p>This will help our business to engage and recruit the best employees, including those from less socially mobile segments of the population, addressing the skills shortage, which is a key constraint on the business.</p>	<p>Our focus remains on ensuring our business is representative of the communities in which we operate. Our programmes around remuneration, benefits, wellbeing, diversity and inclusion, complemented by training and development, can attract employees and help address the skills shortage in our industry.</p> <p>This will enable us to grow volumes in line with our medium term targets, creating opportunities for advancement throughout our workforce and create long term value for shareholders.</p>

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

The development and training of employees

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

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

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

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

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

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

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

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

We achieved 3.9 training days on average per employee (2020: 4.1 days) just below our target of over 4.0 average days training days per employee. Our training activity has been constrained by limited classroom-based training throughout the year, reflecting

lockdown restrictions and social distancing limitations. In FY22 we are moving training to an 80:20 online: classroom model to provide enhanced training access for our employees.

How we recruit and retain the best talent

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

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

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

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

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

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

Growing employee equity participation in our business

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

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

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

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

Employee engagement

We seek to create a great place to work, founded on an open and honest culture. To achieve this we regularly engage with our employees to understand and address their issues and concerns. Our Group employee engagement score, currently 84%, has been in the upper quartile consistently since 2014. As part of our embedded approach to engagement, all divisions and functions proactively agreed and delivered action plans. Our Workforce Forum, comprised of employees representing all regions and levels of our business, continues to meet and provide insight to inform our actions. We share our engagement results with the Forum and seek recommendations on all aspects of our business that impact our people.

Promoting the physical and mental wellbeing of employees

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

Throughout the COVID-19 pandemic, a key objective has remained the health and safety of our employees, especially their physical and mental wellbeing. In 2021, we have partnered with our benefits providers to offer training to support physical, mental and financial wellbeing. Our Talent team continue to provide regular mental wellbeing webinars.

Diversity and inclusion

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

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

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

We have made progress in female leadership representation and continue to focus on this area. At 30 June 2021, women held 16% (2020: 14%) of senior manager roles within the Group and we have continued our focus on female leadership development

with our Catalyst programme. We continue to work towards improving ethnic minority representation. At 30 June 2021, 7% (2020: 7%) of employees were from ethnic minority backgrounds and 1.5% (2020: 2.1%) of senior leadership positions were held by ethnic minority employees.

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

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

Gender pay gap

In October 2020, we published our annual Gender Pay Gap report. This identifies that as a Group, our mean pay gap at 6.5% and our median pay gap at 0.2% are relatively low compared to the mean/median gender pay gap across the UK. This has decreased in the year due to an increase in the number of men in the lower pay quartile. Our mean bonus gap has increased slightly to 33.4%, and continues to reflect the fact that we have a higher proportion of men in more senior roles, where bonus payments make up a larger part of remuneration. In addition there has been an increase in cashed share options in the period, with the majority of these (88%) relating to men. The median bonus gap has decreased to -1.4% in 2020, mainly because the bonus and commission paid to sales teams in the relevant 12 month period was greater than the previous 12 months. This group is predominantly female and makes up a high proportion of our female employees. We will continue to work hard to further close our gender pay gap and ensure we build a diverse, inclusive and attractive working environment for all our employees.

A "real Living Wage" employer

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

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

Human rights and anti-bribery

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

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

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

David Thomas
Chief Executive
1 September 2021

Consolidated Income Statement

Year ended 30 June 2021

	Notes	2021 £m	2020 £m
Continuing operations			
Revenue	2.1	4,811.7	3,419.2
Cost of sales		(3,801.7)	(2,804.9)
Gross profit		1,010.0	614.3
Administrative expenses		(204.4)	(124.5)
Part-exchange income		220.4	327.5
Part-exchange expenses		(214.9)	(323.9)
Profit from operations		811.1	493.4
Finance income	5.2	1.4	5.1
Finance costs	5.2	(28.0)	(35.0)
Net finance costs	5.2	(26.6)	(29.9)
Share of post-tax profit from joint ventures		27.7	28.3
Profit before tax		812.2	491.8
Tax	2.5	(152.1)	(89.1)
Profit for the year		660.1	402.7
Profit for the year attributable to the owners of the Company		659.8	399.7
Profit for the year attributable to non-controlling interests		0.3	3.0
Earnings per share from continuing operations			
Basic	2.3	64.9p	39.4p
Diluted	2.3	64.0p	38.9p

Adjusted items:

	Notes	Gross profit		Profit from operations		Share of post-tax profit from joint ventures		Profit before tax	
		2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Profit per Income Statement above		1,010.0	614.3	811.1	493.4	27.7	28.3	812.2	491.8
Cost associated with legacy properties	2.2	81.9	39.9	81.9	39.9	(0.4)	-	81.5	39.9
CJRS grant repaid/(income)	2.2	22.8	(22.8)	26.0	(26.0)	-	-	26.0	(26.0)
Adjusted profit		1,114.7	631.4	919.0	507.3	27.3	28.3	919.7	505.7

Consolidated Statement of Comprehensive Income

Year ended 30 June 2021

	Notes	Group	
		2021 £m	2020 £m
Profit for the year		660.1	402.7
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit pension scheme	6.1	(2.2)	(69.2)
Tax credit relating to items not reclassified		0.4	13.1
Total items that will not be reclassified to profit or loss		(1.8)	(56.1)
Total comprehensive income recognised for the year		658.3	346.6
Total comprehensive income recognised for the year attributable to the owners of the Company		658.0	343.6
Total comprehensive income recognised for the year attributable to non-controlling interests		0.3	3.0

Statement of Changes in Shareholders' Equity

Group

	Share capital (note 5.4.1) £m	Share premium £m	Merger reserve £m	Own shares (note 5.4.2) £m	Share-based payments £m	Group retained earnings due to shareholders of the Company £m	Total Group retained earnings due to shareholders of the Company £m	Non-controlling interests (note 4.1.1) £m	Total equity £m
At 1 July 2019¹	101.7	239.3	1,109.0	(15.1)	20.9	3,406.3	3,412.1	6.9	4,869.0
Profit for the year	–	–	–	–	–	399.7	399.7	3.0	402.7
Actuarial loss on pension scheme	–	–	–	–	–	(69.2)	(69.2)	–	(69.2)
Tax on items above taken directly to equity	–	–	–	–	–	13.1	13.1	–	13.1
Total comprehensive income recognised for the year ended 30 June 2020	–	–	–	–	–	343.6	343.6	3.0	346.6
Dividend payments (note 2.4)	–	–	–	–	–	(373.2)	(373.2)	–	(373.2)
Distributions to non-controlling interests	–	–	–	–	–	–	–	(8.5)	(8.5)
Issue of shares	0.1	5.9	–	–	–	–	–	–	6.0
Share-based payments	–	–	–	–	6.8	–	6.8	–	6.8
Purchase of own shares	–	–	–	(5.9)	–	–	(5.9)	–	(5.9)
Transfers in respect of share options	–	–	–	0.9	(9.7)	8.1	(0.7)	–	(0.7)
Tax on share-based payments	–	–	–	–	(1.4)	1.6	0.2	–	0.2
At 30 June 2020	101.8	245.2	1,109.0	(20.1)	16.6	3,386.4	3,382.9	1.4	4,840.3
Profit for the year	–	–	–	–	–	659.8	659.8	0.3	660.1
Actuarial loss on pension scheme	–	–	–	–	–	(2.2)	(2.2)	–	(2.2)
Tax on items above taken directly to equity	–	–	–	–	–	0.4	0.4	–	0.4
Total comprehensive income recognised for the year ended 30 June 2021	–	–	–	–	–	658.0	658.0	0.3	658.3
Dividend payments (note 2.4)	–	–	–	–	–	(76.3)	(76.3)	–	(76.3)
Distributions to non-controlling interests	–	–	–	–	–	–	–	(0.6)	(0.6)
Issue of shares	–	0.1	–	–	–	–	–	–	0.1
Share-based payments	–	–	–	–	20.4	–	20.4	–	20.4
Transfers in respect of share options	–	–	–	15.4	(12.2)	3.8	7.0	–	7.0
Tax on share-based payments	–	–	–	–	2.8	0.1	2.9	–	2.9
At 30 June 2021	101.8	245.3	1,109.0	(4.7)	27.6	3,972.0	3,994.9	1.1	5,452.1

¹ In the prior year, the Group applied IFRS 16 using the modified retrospective approach and, therefore, comparatives were not restated. The adoption of IFRS 16 had no effect on the opening reserves at 1 July 2019.

Balance Sheet

At 30 June 2021

	Notes	Group	
		2021 £m	2020 £m
Assets			
Non-current assets			
Other intangible assets		100.0	101.1
Goodwill	4.2	805.9	805.9
Property, plant and equipment		20.4	19.0
Right-of-use assets		39.3	46.7
Investments in joint ventures and associates		163.1	152.1
Retirement benefit assets ¹	6.1	–	3.5
Trade and other receivables ²		1.2	2.3
		1,129.9	1,130.6
Current assets			
Inventories	3.1	4,645.5	5,027.9
Trade and other receivables ²		179.6	86.0
Cash and cash equivalents	5.1	1,518.6	619.8
		6,343.7	5,733.7
Total assets		7,473.6	6,864.3
Liabilities			
Non-current liabilities			
Loans and borrowings	5.1	(200.0)	(200.0)
Trade and other payables		(296.8)	(319.7)
Lease liabilities		(29.8)	(36.1)
Deferred tax liabilities		(8.9)	(2.4)
		(535.5)	(558.2)
Current liabilities			
Loans and borrowings	5.1	(5.3)	(117.7)
Trade and other payables		(1,401.2)	(1,305.4)
Lease liabilities		(10.9)	(11.7)
Current tax liabilities		(1.0)	(2.8)
Provisions	3.2	(67.6)	(28.2)
		(1,486.0)	(1,465.8)
Total liabilities		(2,021.5)	(2,024.0)
Net assets		5,452.1	4,840.3
Equity			
Share capital	5.4	101.8	101.8
Share premium		245.3	245.2
Merger reserve		1,109.0	1,109.0
Total retained earnings		3,994.9	3,382.9
Equity attributable to the owners of the Company		5,451.0	4,838.9
Non-controlling interests	4.1	1.1	1.4
Total equity		5,452.1	4,840.3

¹ Following the buy-out of the Group defined benefit pension scheme, the remaining assets and liabilities at 30 June 2021 have been included within trade and other payables and trade and other receivables (see note 6.1 for further details).

² Secured loans, previously presented separately, have been included within trade and other receivables.

Cash Flow Statement

Year ended 30 June 2021

		Group	
	Notes	2021 £m	2020 £m
Reconciliation of profit from operations to cash flow from operating activities			
Profit from operations		811.1	493.4
Depreciation of property, plant and equipment		5.8	5.5
Loss on disposal of property, plant and equipment		–	0.4
Depreciation of right-of-use assets		13.8	13.6
Amortisation of intangible assets		1.1	1.2
Profit on disposal of joint venture		(2.0)	–
(Reversal of impairment)/impairment of inventories		(3.5)	8.2
Share-based payments charge		20.4	6.8
Imputed interest on deferred term payables ¹	5.2	(13.7)	(19.9)
Imputed interest on lease arrangements		(1.3)	(2.0)
Amortisation of facility fees	5.2	(2.0)	(2.3)
Finance income related to employee benefits	5.2	0.1	1.6
Total non-cash items²		18.7	13.1
Decrease/(increase) in inventories		385.9	(211.8)
(Increase)/decrease in receivables ²		(93.1)	128.9
Increase/(decrease) in payables		74.8	(373.8)
Increase in provisions		39.4	28.2
Total movements in working capital and provisions²		407.0	(428.5)
Interest paid		(11.0)	(11.7)
Tax paid		(143.5)	(187.3)
Net cash inflow/(outflow) from operating activities		1,082.3	(121.0)
Investing activities:			
Purchase of property, plant and equipment		(7.2)	(7.5)
Increase in amounts invested in entities accounted for using the equity method		(7.9)	(31.2)
Repayment of amounts invested in entities accounted for using the equity method		3.4	72.2
Dividends received from investments accounted for using the equity method		21.2	24.2
Proceeds from the disposal of investments accounted for using the equity method		2.0	–
Interest received		2.0	3.5
Net cash inflow from investing activities		13.5	61.2
Financing activities:			
Dividends paid to equity holders of the Company	2.4	(76.3)	(373.2)
Distribution made to non-controlling partner	4.1.1	(0.6)	(8.5)
Purchase of own shares		–	(5.9)
Proceeds from the exercise of share options		8.0	–
Proceeds from issue of share capital		0.1	6.0
Payment of dividend equivalents		(1.0)	(0.7)
Loans and borrowings repayments		(112.4)	(60.0)
Repayment of lease liabilities		(14.8)	(14.1)
Net cash outflow from financing activities		(197.0)	(456.4)
Net increase/(decrease) in cash and cash equivalents		898.8	(516.2)
Cash and cash equivalents at the beginning of the year		619.8	1,136.0
Cash and cash equivalents at the end of the year	5.1	1,518.6	619.8

¹ The Balance Sheet movements in land payables include non-cash movements due to imputed interest. Imputed interest is therefore included within non-cash items in the statement above.

² Profit on the redemption of secured loans, previously presented separately, has been included within movements in receivables.

Section 1 – Basis of preparation

1.1 Cautionary statement

The Chairman's Statement and Chief Executive's Statement commentary contained in this Annual Results Announcement, including the principal risks and uncertainties (note 7.5), have been prepared by the Directors in good faith, based on the information available to them up to the time of their approval of this report, solely for the Company's shareholders as a body, so as to assist them in assessing the Group's strategies and the potential for those strategies to succeed. Accordingly, they 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 IAS in conformity with the requirements of the Companies Act 2006 and IFRS as issued by the IASB and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, this announcement does not itself contain sufficient information to comply with those standards. Full Financial Statements that comply with those standards are included in the 2021 Annual Report and Accounts, which will be made available at www.barrattdevelopments.co.uk during September 2021.

The accounting policies adopted are consistent with those followed in the preparation of the Group's 2021 Annual Report and Accounts which have not changed from those adopted in the Group's 2020 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 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:

Estimation of future income and costs to complete

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

The Group's site valuation process determines the forecast profit margin for each site. The valuation process acts as a method of allocating land costs and construction work in progress costs of a development to each individual plot and drives the recognition of costs in the Income Statement as each plot is sold. Any changes in the forecast profit margin of a site from changes in sales prices or costs to complete are recognised across all homes sold in both the current period and future periods. This ensures that the forecast site margin achieved on each individual home is equal for all current year completions and future plots across the development.

Management have performed a sensitivity analysis to assess the impact of a change in estimated costs for developments on which sales were recognised in the year. A 3% increase in estimated costs recognised in the year, which is considered to be reasonably possible, would impact cost of sales and work in progress and would reduce the Group's gross profit by £91.6m, a reduction in gross margin of 190 bps.

Costs associated with legacy properties

External wall systems and associated review

The Group is undertaking a review of all of its current and legacy buildings where it has used EWS or cladding solutions and continues to assess the action required in line with the latest updates to Government guidance, as it applies, to multi-storey and multi-occupied residential buildings. All of our buildings, including those incorporating EWS or

cladding solutions, were signed off by approved inspectors as compliant with the relevant Building Regulations at the time of completion. We have provided for the cost of assisting with remedial work identified at a limited number of legacy properties where we have a legal liability to do so, where relevant build issues have been identified, or it is considered that such build issues are likely to exist.

The amounts provided reflect the current best estimate of the extent and future costs of work required; however, these estimates may be updated as work progresses or if Government legislation and regulation further evolves.

Citiscap and associated review

As announced in July 2020, we took the decision to pay for required remedial action on the reinforced concrete frame at the Citiscap development in Croydon and undertook an associated review of 26 other developments where reinforced concrete frames were designed for us by either the same original engineering firm or by other companies within the group of companies which has since acquired it. This review is substantially complete and has not identified any other buildings with issues as severe as those present at Citiscap. Detailed reviews are ongoing and, in line with our commitment to put our customers first we will ensure that the costs associated with any remedial works from these reviews are not borne by leaseholders.

Management have made estimates as to the future costs, to the extent of the remedial works required and the costs of providing alternative accommodation to those affected. These condensed consolidated financial statements have been prepared based on currently available information, including known costs and quotations where possible. However, the extent, cost and timing of remedial work may change as work progresses.

Management have performed a sensitivity analysis to assess the impact of a change in their estimate of total costs. A 20% increase in estimated costs recognised in the year would affect cost of sales and would reduce the Group's gross margin by 40 bps. Whilst provisions are expected to be utilised within one year, there is uncertainty over this timing.

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 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 7.5 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 5.3 to these condensed consolidated financial statements.

At 30 June 2021, the Group held cash of £1,518.6m and total loans and borrowings of £205.3m, consisting of £5.3m of overdrafts repayable on demand and £200.0m Sterling USPP notes maturing in August 2027. These balances, set against pre-paid facility fees, comprise the Group's net cash of £1,317.4m presented in note 5.1.

Should further funding be required, the Group has a committed £700m RCF, subject to compliance with certain financial covenants, that matures in November 2024.

As such, in consideration of its net current assets of £4,857.7m, the Directors are satisfied that the Group has sufficient liquidity to meet its current liabilities and working capital requirements.

Despite the ongoing economic uncertainties, the housing market fundamentals remain attractive. There is strong demand for new homes across the country and years of undersupply underpins the Government's ongoing target of 300,000 new homes each year. The future financial performance of the Group is dependent upon the wider economic environment in which it operates. The factors that particularly affect the performance of the Group include flat or negative economic growth, buyer confidence, mortgage availability and affordability, competitor pricing, new housing supply, falls in house prices or land values and the cost and availability of raw materials, sub-contractors and suppliers.

The Group's financial forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of approval of these condensed consolidated financial statements.

To assess the Group's resilience to more adverse outcomes, its forecast performance was sensitised to reflect a series of scenarios based on the Group's principal risks and the downside prospects for the UK economy and housing market presented in the latest available external economic forecasts.

This exercise included a reasonable worst-case scenario in which the Group's principal risks manifest in aggregate to a severe but plausible level. This assumed that average selling prices fall by 5%, sales volumes fall by between 7% and 9%, and construction costs increase by 5%.

The effects were modelled over the three-year period covered by the Directors' viability review, alongside reasonable mitigation that the Group would expect to undertake in such circumstances, primarily a reduction in investment in inventories in line with the fall in expected sales. In all scenarios, including the reasonable worst case, the Group is able to comply with its financial covenants, operate within its current facilities and meet its liabilities as they fall due.

Furthermore, a reverse stress test was performed to determine the market conditions in which the Group, without mitigating action, would cease to be able to operate under its current facilities. Based on past experience and current economic forecasts, the Directors consider the possibility of this outcome to be remote and have identified mitigation that would be adopted in such circumstances.

Accordingly, the Directors consider there to be no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. They have formed a judgement that, at the time of approving the condensed consolidated financial statements 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 2021, the Group has applied accounting policies and methods of computation consistent with those applied in the prior year except as amended by the adoption of new and revised standards.

Secured loans with a value of £nil (2020: £2.1m), presented separately in previous years, have been included within trade and other receivables.

During the year, the Group has adopted the following new and revised standards and interpretations which have had no impact on the Financial Statements:

- Amendment to References to the Conceptual Framework in IFRS Standards;
- Amendment to IFRS 3: 'Business Combinations';
- Amendments to IAS 1 and IAS 8: 'Definition of Material';
- Amendments to IFRS 9, IAS 39, and IFRS 7: 'Interest Rate Benchmark Reform'; and
- Amendment to IFRS 16: 'COVID-19 Related Rent Concessions'.

Section 2 – Results for the year and utilisation of profits

2.1 Revenue

An analysis of the Group's continuing revenue is as follows:

	Residential completions ¹		Revenue	
	2021 number	2020 number	2021 £m	2020 £m
Revenue from private residential sales	13,134	9,568	4,274.6	2,971.5
Revenue from affordable residential sales	3,383	2,466	495.5	402.0
Other revenue including commercial sales	–	–	41.6	45.7
	16,517	12,034	4,811.7	3,419.2

¹ Residential completions exclude JV completions of 726 homes (2020: 570) in which the Group has an interest.

2.2 Profit from operations

2.2.1 Cost of sales

During the year ended 30 June 2020, in response to the COVID-19 pandemic, the Group took the decision to temporarily close its sales centres, construction sites and offices and implemented extensive working practices and protocols to enable a safe return to operations. As a result, in the prior year £45.2m of non-productive site overheads and safety costs were included within cost of sales that would ordinarily be capitalised as work in progress including £25.4m of employee costs.

In the current year, cost of sales includes the repayment of £22.8m of government grants in respect of the CJRS (2020: £22.8m received).

2.2.2 Government grants and assistance

During the year the Group repaid CJRS grant income received from the Government in the prior year. Amounts repaid/receivable are disclosed below.

	2021	2020
	Amounts repaid £m	Amounts receivable and received £m
Grant income/(repayment) in respect of the CJRS included in cost of sales	(22.8)	22.8
Grant income/(repayment) in respect of the CJRS included in administrative expenses	(3.2)	3.2
	(26.0)	26.0

At 30 June 2021, receivables in respect of the CJRS of £nil (2020: £4.4m) were included in other receivables.

During the prior year the Group benefitted from the COVID-19 Retail, Hospitality and Leisure Fund in respect of some of its sales and marketing properties. In the year to 30 June 2021, the Group repaid these amounts in full, amounting to £0.7m (2020: £nil), to the relevant authorities. Also during the prior year, the Group benefitted from government assistance in the form of COVID-19 business rate relief. In the year to 30 June 2021, the Group announced its intention to pay amounts equal to the relief received to the relevant local authorities.

2.2.3 Adjusted items

Cost associated with legacy properties:

During the year, charges of £81.9m (2020: £39.9m) were recognised as adjusted items in respect of costs associated with legacy properties and separately disclosed in the table below the Consolidated Income Statement. The adjusted costs in the year, associated with legacy properties, comprise additions to provisions of £90.3m, provisions releases of £4.6m and the release of accruals previously analysed as adjusted of £3.8m. Further details of provisions movements are provided in note 3.2.

In addition, a net credit of £0.4m (2020: £nil) was recognised as an adjusted item in respect of a reassessment of costs associated with JV legacy properties, resulting in a net increase in the Group's share of net assets.

CJRS grant income/repayment:

During the year ended 30 June 2020, the Group recognised grant income of £26.0m in respect of the UK Government's CJRS. No CJRS grant income was recognised in the year to 30 June 2021. This was a temporary scheme from which the income was voluntarily refunded by the Group during the current year. Both the income in the prior year and the repayment of the grant in the current year have been presented as adjusted items.

2.3 Earnings per share

The earnings per share from continuing operations were as follows:

	2021	2020
	pence	pence
Basic earnings per share	64.9	39.4
Diluted earnings per share	64.0	38.9
Adjusted basic earnings per share	73.5	40.5
Adjusted diluted earnings per share	72.5	40.0

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

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

Adjusted basic and adjusted diluted earnings per share exclude the impact of adjusted items and any associated net tax amounts.

	2021	2020
Profit attributable to ordinary shareholders of the Company (£m)	659.8	399.7
Adjusted items (£m)	107.5	13.9
Tax on adjusted items (£m)	(20.4)	(2.6)
Adjusted profit attributable to ordinary shareholders of the Company (£m)	746.9	411.0
Weighted average number of shares in issue (million)	1,018.3	1,018.2
Weighted average number of shares in EBT (million)	(1.9)	(4.3)
Weighted average number of shares for basic earnings per share (million)	1,016.4	1,013.9

Weighted average number of shares in issue (million)	1,018.3	1,018.2
Adjustment to assume conversion of all potentially dilutive shares (million)	12.5	10.0
Weighted average number of shares for diluted earnings per share (million)	1,030.8	1,028.2

2.4 Dividends

	2021	2020
	£m	£m
Amounts recognised as distributions to equity shareholders in the year:		
Final dividend for the year ended 30 June 2020 of 0.0p (2019: 19.5p) per share	–	197.8
Special dividend for the year ended 30 June 2020 of 0.0p (2019: 17.3p) per share	–	175.4
Interim dividend for the year ended 30 June 2021 of 7.5p (2020: 0.0p) per share	76.3	–
Total dividends distributed to equity shareholders in the year	76.3	373.2

	2021	2020
	£m	£m
Proposed final dividend for the year ended 30 June 2021 of 21.9p (2020: 0.0p) per share	222.7	–

2.5 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% (2020: 19.0%) and the closing deferred tax assets and liabilities have been provided in these condensed consolidated financial statements at a rate of 19.0% - 25.0% (2020: 19.0%) of the temporary differences giving rise to these assets and liabilities.

2.5.1 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

	2021	2020
	£m	£m
Current tax:		
UK corporation tax for the year	155.1	100.0
Adjustment in respect of previous years	(12.7)	(7.4)
	142.4	92.6
Deferred tax:		
Origination and reversal of temporary differences	(3.5)	(3.1)
Adjustment in respect of previous years	7.8	(1.5)
Impact of change in corporation tax rate	5.4	1.1
	9.7	(3.5)
Tax charge for the year	152.1	89.1

Factors affecting the tax charge for the year

The tax rate assessed for the year is lower (2020: lower) than the standard effective rate of corporation tax in the UK of 19.0% (2020: 19.0%). The differences are explained below:

	2021	2020
	£m	£m
Profit before tax	812.2	491.8
Profit before tax multiplied by the standard rate of corporation tax of 19.0% (2020: 19.0%)	154.3	93.4
Effects of:		
Other items including non-deductible expenses and non-taxable income	(0.9)	4.8
Additional tax relief for land remediation costs	(1.8)	(1.3)
Adjustment in respect of previous years	(4.9)	(8.9)
Impact of change in tax rate	5.4	1.1
Tax charge for the year	152.1	89.1

During the year, legislation was substantially enacted to increase the UK corporation tax rate from 19.0% to 25.0% from 1 April 2023. Accordingly, the rate change includes the remeasurement of opening temporary differences to between 19% and 25% depending on the timing of the expected reversal.

HM Treasury has consulted on the policy design of a Residential Property Developer Tax on certain profits from residential development activity. The consultation closed on 22 July 2021 and the subsequent release of draft legislation is anticipated later this year. Residential Property Developer Tax will be effective from 1 April 2022 but, at present, the rate of tax and the basis on which it will apply have neither been announced, nor substantively enacted.

2.5.2 Tax recognised in equity

In addition to the amount charged to the Consolidated Income Statement, a net current and deferred tax credit of £3.3m (2020: £13.3m) was recognised directly in equity.

Section 3 – Working capital

3.1 Inventories

	Group	
	2021	2020
	£m	£m
Land held for development	2,946.3	3,112.3
Construction work in progress	1,675.9	1,852.4
Part-exchange properties and other inventories	23.3	63.2
	4,645.5	5,027.9

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 2021 current assets that are not covered by a forward sale. The Group's internal controls are designed to identify any developments where the balance sheet value of land and work in progress is more than the projected lower of cost or net realisable value. During the year, the Group has conducted six-monthly reviews of the net realisable value of specific sites identified as at high risk of impairment, based upon a number of criteria including low site profit margins and sites with no forecast completions. Where the estimated net realisable value of a site was less than its current carrying value the Group has impaired the land and work in progress value.

During the year, due to performance variations, changes in assumptions and changes to viability on individual sites, there were gross impairment charges of £3.6m (2020: £18.8m) and gross impairment reversals of £7.1m (2020: £10.6m), resulting in a net reversal of impairment of £3.5m (2020: £8.2m charge) included within profit from operations.

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

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

3.1.2 Expensed inventories

The value of inventories expensed in the year ended 30 June 2021 and included in cost of sales was £3,537.9m (2020: £2,511.9m).

3.2 Provisions

	Group		
	Legacy properties - EWS and associated review £m	Legacy properties - Citiscape and associated review £m	Total £m
At 1 July 2020	11.4	16.8	28.2
Additions to provisions in the year	32.6	57.7	90.3
Releases	(0.2)	(4.4)	(4.6)
Utilisation in the year	(2.2)	(44.1)	(46.3)
At 30 June 2021	41.6	26.0	67.6

Further information on the Group's provisions is provided in note 1.2.

Section 4 – Business combinations and other investing activities

4.1 Business combinations

4.1.1 Non-controlling interests

	Group	
	2021 £m	2020 £m
Movement in non-controlling interest share of net assets recognised in the Consolidated Balance Sheet		
At 1 July	1.4	6.9
Distribution of profits to non-controlling partner	(0.6)	(8.5)
Share of profit for the year recognised in the Consolidated Income Statement	0.3	3.0
At 30 June	1.1	1.4

4.2 Goodwill

	Group	
	2021 £m	2020 £m
Cost		
At 30 June	830.4	830.4
Accumulated impairment losses		
At 30 June	24.5	24.5
Carrying amount		
At 30 June	805.9	805.9

The Group's goodwill relating to the acquisition of Wilson Bowden Limited in 2007 has a carrying value of £792.2m and goodwill relating to the 2019 acquisition of Oregon Timber Frame Limited has a carrying value of £13.7m, both relating to the housebuilding business.

4.2.1 Impairment of goodwill and indefinite life brands

The Group conducts an annual impairment review of goodwill and its indefinite life brand, David Wilson Homes, together for the cash-generating unit to which it is allocated, being the housebuilding business.

An impairment review was performed at 30 April 2021 by comparing the value-in-use of the housebuilding business to the carrying value of its tangible and intangible assets and allocated goodwill.

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

The Group's financial forecasts reflect the outcomes that Management consider most likely, based on the information available at the date of signing of these financial statements. The key assumptions underlying the forecasts are:

- expected changes in selling prices for completed houses and the related impact on operating margin: these are determined on a site-by-site basis in the Group's approved business plan dependent upon local market conditions

and product type. For subsequent years, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts;

- sales volumes: these are determined on a site-by-site basis in the Group's approved business plan dependent upon local market conditions, land availability and planning permissions. For subsequent years, these have been estimated at a Group level based on past experience and expectations of future changes in the market, taking into account external market forecasts; and
- expected changes in site costs to complete: these are determined on a site-by-site basis in the Group's approved business plan dependent upon the expected costs of completing all aspects of each individual development. For subsequent years, these have been estimated at a Group level based on past experience and expectations of future changes in the market, taking into account external market forecasts.

The forecasts have been sensitised to reflect scenarios based on the Group's principal risks and the downside prospects for the UK economy through adjustments to the key assumptions. The adverse scenarios modelled are the Directors' assessment of a reasonable worst-case scenario, being that used to assess the Group's ability to continue as a going concern in note 1.3, and a scenario in which the Group's risks manifest to an intermediate level. The risk-adjusted expected future cash flows are the weighted average of these possible economic outcomes. The value-in-use constitutes the present value of these cash flows through the application of an appropriate discount rate.

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

- discount rate: this is a pre-tax rate reflecting the Group's target capital structure, current market assessments of the time value of money. A rate of 11.8% (2020: 10.0%) is considered by the Directors to be the appropriate pre-tax discount rate; and
- probability of variance in assumptions: Management consider the assumptions applied in the Group's forecast to represent the most likely outcomes.

The result of the value-in-use exercise concluded that the recoverable value of goodwill and intangible assets exceeded its carrying value by £1,861.2m (2020: £1,182.5m) and there has been no impairment. The increase in headroom is a result of an improved forecast outlook following the recovery of the business and wider economy from COVID-19.

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 prepaid fees.

Net cash at 30 June is shown below:

		Group	
	Notes	2021 £m	2020 £m
Cash and cash equivalents	5.1.1	1,518.6	619.8
Drawn debt			
Borrowings:			
Sterling US private placement notes		(200.0)	(200.0)
Bank overdrafts		(5.3)	(117.7)
Total borrowings being total drawn debt		(205.3)	(317.7)
Prepaid fees		4.1	6.1
Net cash		1,317.4	308.2

Total borrowings at 30 June are analysed as:			
Non-current borrowings		(200.0)	(200.0)
Current borrowings		(5.3)	(117.7)
Total borrowings being total drawn debt		(205.3)	(317.7)

Movement in net cash is analysed as follows:

	Group	
	2021	2020
	£m	£m
Net increase/(decrease) in cash and cash equivalents	898.8	(516.2)
Repayment/(drawdown) of borrowings:		
Loans and borrowings repayments	112.4	60.0
Other movements in borrowings:		
Movement in prepaid fees	(2.0)	(1.3)
Movement in net cash in the year	1,009.2	(457.5)
Opening net cash	308.2	765.7
Closing net cash	1,317.4	308.2

5.1.1 Cash and cash equivalents

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

5.1.2 Borrowings and facilities

All debt facilities at 30 June 2021 are unsecured.

The principal features of the Group's committed debt facilities at 30 June 2021 and 30 June 2020 were as follows:

	Facility	Amount drawn		Maturity
		30 June 2021	30 June 2020	
Committed facilities:				
RCF	£700.0m	-	-	22 November 2024
Fixed rate Sterling USPP notes	£200.0m	£200.0m	£200.0m	22 August 2027

The Group also uses various bank overdrafts and uncommitted borrowing facilities that are subject to floating interest rates linked to UK rates, LIBOR until 31 May 2021, and SONIA from 1 June 2021 and money market rates as applicable.

Weighted average interest rates are disclosed in note 5.2.

5.2 Net finance costs

Recognised in the Consolidated Income Statement:

	Notes	2021 £m	2020 £m
Finance income			
Finance income on short-term bank deposits		(0.5)	(3.0)
Finance income related to employee benefits	6.1	(0.1)	(1.6)
Other interest receivable		(0.8)	(0.5)
		(1.4)	(5.1)
Finance costs			
Interest on loans and borrowings		9.8	9.5
Imputed interest on deferred term payables		13.7	19.9
Finance charge on leased assets		1.3	2.0
Amortisation of facility fees		2.0	2.3
Other interest payable		1.2	1.3
		28.0	35.0
Net finance costs		26.6	29.9

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

	Group	
	2021	2020
	%	%
USPP notes	2.8	2.8

5.3 Financial risk management

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

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

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

5.3.1 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long term and medium term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April to May, and October to November of each year, due to seasonal trends in income. Accordingly, the Group maintains sufficient facility headroom to cover these requirements. On a normal operating basis, the Group has a policy of maintaining a minimum headroom of £150.0m. The Group identifies and takes appropriate actions based on its regular, detailed system for the reporting and forecasting of cash flows from its operations. The Group's drawn debt, excluding fees, represented 22.8% (2020: 35.3%) of available committed facilities at 30 June 2021. In addition, the Group had £1,518.6m (2020: £619.8m) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2021. The Group's resilience to its principal risks has been modelled, together with possible mitigating actions, over a three year period. At the date of approval of the Financial Statements, the Group's internal forecasts indicate that it will be able to operate within its current facilities and remain in compliance with these covenants for the foreseeable future, being at least 12 months from the date of approval of these 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 2021, the average maturity of the Group's committed facilities was 4.0 years (2020: 5.0 years).

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

	Group	
Expiry date	2021 £m	2020 £m
In more than two years but not more than five years	700.0	700.0

In addition, the Group had undrawn, uncommitted overdraft facilities available at 30 June 2021 of £17.0m (2020: £55.0m).

5.3.2 Market risk (price risk)

Interest rate risk

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

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

Due to the level of the Group's interest cover ratio and in accordance with the Group's policy to hedge a proportion of the forecast RCF drawings based on the Group's three-year plan, no interest rate hedges are currently required.

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

Group	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
2021				
Financial liability exposure to interest rate risk	-	200.0	1,339.8	1,539.8
2020				
Financial liability exposure to interest rate risk	-	200.0	1,410.6	1,610.6

Floating interest rates on Sterling borrowings are linked to UK rates, LIBOR until 31 May 2021 and SONIA from 1 June 2021, and money market rates. The floating rates are fixed in advance for periods generally ranging from one to six months. Short-term flexibility is achieved through the use of overdraft, committed and uncommitted bank facilities. The Group retained a strong cash position throughout the year and, therefore, the Group did not draw on its RCF during the year and the use of other facilities was minimal. No interest was paid on floating rate borrowings in 2021 (2020 rate of interest on minimal floating rate borrowings: 1.7%).

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

Sensitivity analysis

In the year ended 30 June 2021, if UK interest rates had been 0.5% higher (considered to be a reasonably possible change) and all other variables were held constant, the Group's pre-tax profit would increase by £4.9m (2020: £2.6m), the Group's post-tax profit would increase by £4.0m (2020: £2.1m) and, as such, the Group's equity would increase by £4.0m (2020: £2.1m). Had interest rates reduced to zero, the Group's pre-tax profit would decrease by £0.5m and the Group's post-tax profit and equity would decrease by £0.4m.

5.3.3 Credit risk

In the majority of cases, the Group receives cash on legal completion for private sales and receives advance stage payments from registered providers for affordable housing. Included within trade and other receivables is £29.9m (2020: £12.0m) due from Homes England in respect of the Help to Buy scheme. Since this receivable is due from a UK Government agency, the Group considers that it has an insignificant risk of default. In addition, the Group has £1,518.6m (2020: £619.8m) on deposit with nine financial institutions. Other than this, 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 through its credit policy. This limits its exposure to financial institutions with high credit ratings, as set by international credit rating agencies, and determines the maximum permissible exposure to any single counterparty.

The maximum exposure to any counterparty at 30 June 2021 was £244.0m (2020: £100.7m) of cash on deposit with a financial institution. The carrying amount of financial assets recorded in the Financial Statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

5.3.4 Capital risk management (cash flow risk)

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

The Group manages its share capital as equity, as set out in the Statement of Changes in Shareholders' Equity, and its bank borrowings (being overdrafts and bank loans) and its private placement notes as other financial liabilities. The Group is subject to the prevailing conditions of the UK economy and the quantum of the Group's earnings is dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions, employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. The Group's approach to the management of the principal operational risks of the business are detailed in note 7.5.

Following the lockdown introduced by the UK Government in response to COVID-19, in order to manage its cash flows and capital structure, the Company paid no final dividend or special cash payment in respect of the year ended 30 June 2020. Strong cash generation since 30 June 2020 has enabled the Group to resume dividend payments. An interim dividend of 7.5 pence per share has been paid in respect of the year ending 30 June 2021, and a final dividend of 21.9 pence per share is proposed. The Group also temporarily suspended land buying activity and carefully managed its operational cash flows.

Other methods by which the Group can manage its short-term and long-term capital structure include: further adjusting the level of dividends paid to shareholders (assuming the Company is paying a dividend); issuing new share capital; arranging debt to meet liability payments; and selling assets to reduce debt.

5.4 Share capital

5.4.1 Ordinary share capital

	2021 £m	2020 £m
Allotted and issued ordinary shares		
10p each fully paid: 1,018,331,741 (2020: 1,018,302,400) ordinary shares	101.8	101.8

	2021 Number	2020 Number
Options over the Company's shares granted during the year		
LTPP	3,204,477	2,629,027
Sharesave	1,913,489	3,142,874
DBP	–	583,505
ELTIP	1,249,000	1,254,200
	6,366,966	7,609,606

	2021 Number	2020 Number
Allotment of shares during the year		
At 1 July	1,018,302,400	1,016,985,862
Issued to satisfy early exercises under Sharesave schemes	10,251	39,215
Issued to satisfy exercises under matured Sharesave schemes	19,090	1,277,323
At 30 June	1,018,331,741	1,018,302,400

5.4.2 Own shares reserve

The own shares reserve represents the cost of shares in Barratt Developments PLC purchased in the market or issued by the Company and held by the EBT on behalf of the Company in order to satisfy options and awards that have been granted by the Company.

The EBT has agreed to waive all, or any future right to dividend payments on shares held within the EBT and these shares do not count in the calculation of the weighted average number of shares used to calculate EPS until such time as they are vested to the relevant employee.

	2021	2020
Ordinary shares in the Company held in the EBT (number)	1,300,125	4,708,806
Cost of shares held in the EBT	£4.7m	£20.1m
Market value of shares held in the EBT at 695.2p (2020: 495.9p) per share	£9.0m	£23.4m

During the year, the EBT purchased no (2020: 1,174,900) shares in the market and disposed of 1,719,011 shares in settlement of exercises under the Sharesave 2015 5-year plan and the Sharesave 2017 3-year plan (2020: 111,851 shares in settlement of exercises under the SMSOP 2009/10 and the SMIS). A further 1,689,670 (2020: 2,526,498) shares were used to satisfy the vesting of the ELTIP 60th Anniversary Award, the LTPP and the DBP.

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 independently administered funds. Contributions are based upon a fixed percentage of the employee's pay and once these have been paid, the Group has no further obligations under these schemes.

	2021 £m	2020 £m
Contributions during the year		
Group defined contribution schemes' Consolidated Income Statement charge	13.9	13.6

At the balance sheet date, there were outstanding contributions of £1.9m (2020: £2.0m), which were paid on or before the due date.

6.1.2 Defined benefit scheme

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

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

On 16 June 2020, the Trustees entered into a bulk annuity insurance contract with an insurer in respect of the liabilities of the Scheme (a 'buy-in'). As the buy-in policy is a qualifying insurance asset, the fair value of the insurance policy is deemed to be the present value of the obligations that have been insured. The policy secured exactly matches the benefits due to Scheme members under the Scheme's Trust Deed and Rules, and the asset was, therefore, set equal to the liabilities covered. An additional liability was recognised in respect of GMP equalisation.

During the year to 30 June 2021, the insurer has, in return for a premium from the Trustees, assumed responsibility for each of the previously bought-in benefits of Scheme members (a 'buy-out'). This has resulted in the discharge of all Scheme liabilities from the Group and the disposal of all Scheme assets. A loss on settlement of £1.1m has been recognised in the Income Statement, comprising £0.7m paid from Scheme assets and £0.4m of payments made by the Group in connection with the settlement.

The Group has retained a £1.3m liability for GMP equalisation (including £0.1m in respect of another Group scheme) and ownership of £0.8m of Scheme assets. All other risks pertaining to the Scheme have been removed at the balance sheet date.

For the purposes of calculating the accounting costs and obligations of the Scheme, the assets of the Scheme were assumed to match the value of the obligations insured. The liabilities of the Scheme have been calculated at each balance sheet date using the following assumptions:

Principal actuarial assumptions	2021	2020
Weighted average assumptions to determine benefit obligations		
Discount rate	1.89%	1.58%
Pensions-in-payment increase rate	3.22%	2.94%
Rate of price inflation	3.43%	3.08%
Weighted average assumptions to determine net cost		
Discount rate	1.58%	2.31%
Pensions-in-payment increase rate	2.94%	3.17%
Rate of price inflation	3.08%	3.38%

Members are assumed to exchange 15% (2020: 19%) of their pension for cash on retirement. The assumptions have been chosen by the Group following advice from Mercer Limited, the Group's actuarial advisers.

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

Assumptions	Male	Female
Retired member born in 1956 (life expectancy at age 65)	22.8 years	24.4 years
Non-retired member born in 1976 (life expectancy at age 65)	23.9 years	25.5 years

The base mortality assumptions are based on the SAPS SP3MA/S2PFA_M (2020: SP3MA/S2PFA_M) mortality tables with an adjustment to allow for the Scheme members being treated as if they are 1.5 years younger than the population of the mortality tables. Allowance for future increases in life expectancy is made in line with the CMI 2020 projections with a long term trend of 1.25% per annum (2020: CMI 2019 projections with a long-term trend of 1.25% per annum).

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

	2021 £m	2020 £m
Past service cost	(1.2)	–
Administrative expenses	(0.7)	–
Pension costs recognised in operating expenses in the Consolidated Income Statement	(1.9)	–
Interest cost	(6.6)	(8.9)
Interest income	6.7	10.5
Pension income recognised in net finance costs in the Consolidated Income Statement	0.1	1.6
Total pension (expense)/income recognised in the Consolidated Income Statement	(1.8)	1.6

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

	2021 £m	2020 £m
Expected return less actual return on Scheme assets	(15.6)	(29.6)
Gain/(loss) arising from changes in the assumptions underlying the present value of benefit obligations	13.4	(39.6)
Total pension remeasurements recognised in the Group Statement of Comprehensive Income	(2.2)	(69.2)

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

	2021 £m	2020 £m
Net asset for defined benefit obligations at 1 July	3.5	62.6
Contributions paid to the Scheme	–	8.5
Amounts recognised in the Consolidated Income Statement	(1.8)	1.6
Amounts recognised in the Group Statement of Comprehensive Income	(2.2)	(69.2)
Amount transferred to other receivables and payables (see tables below)	0.5	–
Surplus for funded Scheme/net asset recognised in the Group Balance Sheet at 30 June	–	3.5
Analysed as:		
Present value of funded obligations	–	(425.8)
Fair value of Scheme assets	–	429.3

A deferred tax asset of £0.1m (2020: £0.7m liability) has been recognised in the Group Balance Sheet in relation to the Scheme.

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

	2021 £m	2020 £m
Present value of defined benefit obligations at 1 July	425.8	393.9
Past service cost	1.2	–
Settlement of obligations on disposal	(406.5)	–
Interest cost	6.6	8.9
Actuarial (gain)/loss	(13.4)	39.6
Benefits paid from Scheme	(12.4)	(16.6)
Amounts transferred to other payables ¹	(1.3)	–
Present value of defined benefit obligations at 30 June	–	425.8

¹ Following the buy-out of the Scheme, the past service cost obligation retained by the Group has been included within other payables at 30 June 2021.

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

	2021 £m	2020 £m
Fair value of Scheme assets at 1 July	429.3	456.5
Settlement payments from Scheme assets	(406.5)	–
Interest income	6.7	10.5
Actuarial loss on Scheme assets	(15.6)	(29.6)
Administrative expenses paid from Scheme assets	(0.7)	–
Employer contributions	–	8.5
Benefits paid from Scheme	(12.4)	(16.6)
Amounts transferred to other receivables ¹	(0.8)	–
Fair value of Scheme assets at 30 June	–	429.3

¹ Following the buy-out of the Scheme, the assets retained by the Group have been included within other receivables at 30 June 2021.

The analysis of Scheme assets was as follows:

	2021		2020	
	£m	%	£m	%
Assets held by insurance company	–	–	425.8	99.2
Cash	–	–	3.5	0.8
Total	–	–	429.3	100.0

The actual return on Scheme assets was as follows:

	2021 £m	2020 £m
Actual return on Scheme assets	(8.9)	(19.1)

The expected employer contribution to the Scheme in the year ending 30 June 2022 is £nil.

Section 7 – Contingencies, related parties, post balance sheet events 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 £423.8m (2020: £399.1m), 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.

External wall systems and associated review

As disclosed in note 1.2, the Group is undertaking a review of all of its current and legacy buildings where it has used EWS or cladding solutions and continues to assess the action required in line with the latest updates to Government guidance, as it applies, to multi-storey and multi-occupied residential buildings. Approved Inspectors signed off all of our buildings, including the EWS or cladding used, as compliant with the relevant Building Regulations at the time of completion.

We recognise that the retrospective review of building materials continues to evolve. These condensed consolidated financial statements have been prepared based on currently available information and the current best estimate of the extent and future costs of work required, based on the reviews and physical inspections undertaken. However, these estimates may be updated as further inspections are completed and as work progresses or if Government legislation and regulation further evolves.

Citiscap and associated review

As disclosed in note 1.2, following the issues identified at Citiscap, the Group is conducting a review of developments where reinforced concrete frames have been designed by either the same original engineering firm which designed Citiscap, or by other companies within the group of companies which has since acquired it. The condensed consolidated financial statements have been prepared based on currently available information; however, the detailed review is ongoing and therefore the extent and cost of any remedial work may change as this work progresses. While in most cases we have no legal liability, in line with our commitment to put our customers first we will ensure that the costs associated with remedial works from these reviews are not borne by leaseholders.

We are actively seeking to recover costs from third parties; however, there is no certainty regarding the extent of any financial recovery.

7.1.2 Contingent liabilities related to JVs

The Group has given counter-indemnities in respect of performance bonds and financial guarantees to its JVs totalling £1.8m at 30 June 2021 (2020: £10.4m).

The Group has also given a number of performance guarantees in respect of the obligations of its JVs, requiring the Group to complete development agreement contractual obligations in the event that the JVs do not perform as required under the terms of the related contracts. At 30 June 2021, the probability of any loss to the Group resulting from these guarantees is considered to be remote.

7.1.3 Contingent liabilities related to legal claims

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

7.2 Related party transactions

7.2.1 Directors of Barratt Developments PLC and remuneration of key personnel

The Board and certain members of Senior Management are related parties within the definition of IAS 24 (Revised) 'Related Party Disclosures' ('IAS 24') and the Board are related parties within the definition of Chapter 11 of the UK

Listing Rules. There is no difference between transactions with key personnel of the Company and transactions with key personnel of the Group.

Disclosures related to the remuneration of key personnel as defined in IAS 24 will be provided in note 6.1 of the 2021 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 2021.

7.2.2 Transactions between the Company and its subsidiaries

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

	Company	
	2021 £m	2020 £m
Transactions between the Company and its subsidiaries during the year:		
Charges in respect of management and other services provided to subsidiaries	111.7	67.2
Net interest paid by the Company on net loans from subsidiaries	15.8	5.0
Dividends received from subsidiary undertakings	8.7	519.3
Balances at 30 June:		
Amounts due by the Company to subsidiary undertakings	764.3	19.3
Amounts due to the Company from subsidiary undertakings	76.0	395.5

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

7.2.3 Transactions between the Group and its JVs

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

	Group	
	2021 £m	2020 £m
Transactions between the Group and its JVs during the year:		
Charges in respect of development management and other services provided to JVs	4.5	5.6
Interest charges in respect of funding provided to JVs	0.7	0.5
Dividends received from JVs	21.2	24.2
Balances at 30 June:		
Funding loans and interest due from JVs net of impairment	86.0	81.9
Other amounts due from JVs	26.9	15.7
Loans and other amounts due to JVs	(0.8)	(0.9)

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

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

7.3 Post balance sheet events

In July 2021 the Government announced that the Building Safety Bill will extend the current six-year limitation period to a 15-year limitation period during which legal claims can be brought against developers and that this will be applied retrospectively when the Bill becomes law which is expected in 2022. This may result in additional legal liabilities for the Group which currently cannot be quantified.

In July 2021 the Government announced that EWS certificates should not be required by mortgagors on buildings below 18 metres. If this is accepted by the relevant stakeholders, being banks, leaseholders and surveyors, it would potentially reduce the scope of remediation works that are required to the EWS on lower-rise buildings.

7.4 Statutory accounts

The condensed consolidated financial statements for the year ended 30 June 2021 have been approved by the Directors and prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006 and IFRS as issued by the IASB and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Barratt Developments PLC's 2021 Annual Report and Accounts will be made available to shareholders and published on its website www.barrattdevelopments.co.uk in September 2021. The financial information set out herein does not constitute the Company's statutory accounts for the year ended 30 June 2021 (as defined in Sections 434 and 436 of the Companies Act 2006) but is derived from the 2021 Annual Report and Accounts and the accounts contained therein. Statutory accounts for 2021 will be delivered to the Registrar of Companies prior to the Company's Annual General Meeting, which will be held on 13 October 2021. 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 2020 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 2020 report of the auditor is unqualified and does not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

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

7.5 Risk management

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

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

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

Risk	A Economic environment, including housing demand and mortgage availability	B Land availability	C Government regulation and planning policy	D Construction	E Availability of raw materials, sub-contractors and suppliers	F Safety, health and environment
Risk level Change from previous year	Medium risk Decrease	Medium risk No change	Medium risk No change	High risk No change	Medium risk Decrease	Medium risk Decrease
Risk appetite Change from previous year	Medium risk No change	Medium risk No change	Low risk Decrease	Low risk No change	Low risk No change	Low risk No change
Link to strategic priorities	Customer first	Great places	Great places	Leading construction	Leading construction	Investing in our people
Risk description	Changes in the UK macroeconomic environment may lead to falling demand or tightened mortgage availability, on which the majority of our customers are reliant, reducing the affordability of our homes. An inability to meet	The inability to secure sufficient consented land and strategic land options at appropriate cost and quality in the right locations to enhance communities. Securing favourable sites that meet our margin and site ROCE hurdle	Changes in the regulatory environment affect the conditions and time taken to obtain planning approval and technical requirements including Building Regulations, increasing the challenge of providing quality homes where they are most needed. Sufficient, appropriate	Failure to achieve excellence in construction, through delays from adverse conditions, a failure to identify cost overruns promptly, design and construction defects, and deviation from environmental standards. Delays or deficiencies in	Shortages or increased costs of materials and skilled labour or the failure of a key supplier. Maintaining sufficient material and skilled sub-contractor availability will enable disciplined growth in the provision of high-quality homes.	Health and safety or environmental breaches can result in incidents affecting employees, sub-contractors and site visitors, and undermine the creation of a great place to work. SHE breaches affect the wellbeing of our

	customers' needs will lead to reduced sales volumes and affect our ability to provide profitable growth.	rates will enable volume growth.	planning permissions on new sites will enable the Group to deliver disciplined volume growth at our target margins.	construction could increase costs, expose the Group to liabilities, and result in poor product quality, reduced selling prices and sales volumes. Inefficiency and competitive disadvantage from a failure to develop and implement new and innovative construction methods.	Failure to do so may lead to increased costs and delays in construction.	employees and could result in reputational damage, criminal prosecution and civil litigation, and delays in construction or increased costs.
Responsibility	Executive Committee	Land Committee	Operations Committee	Operations Committee	Operations Committee	Safety, Health and Environment Operating Committee
Current status of risk	<p>Uncertainty persists over the recovery of the economy from COVID-19 following the lifting of legal restrictions and the cessation of the furlough scheme.</p> <p>The Government's Help to Buy scheme is now restricted to first time buyers and within regional price caps and is due to end in March 2023.</p> <p>However, demand for housing remains strong and mortgage approvals have shown a sharp recovery with some improvement in terms on offer.</p>	<p>Geographically diverse land bank across the country, with 4.7 years owned and controlled land.</p> <p>Whilst focusing on optimising our existing land bank, during the year we achieved planning on 14,280 plots, and have detailed or outline planning permission on all of our FY22 expected home completions and 95.5% of expected home completions for FY23.</p>	<p>The Government continues to reiterate its commitment to facilitating the provision of new homes, but the planning process remains lengthy and complex.</p> <p>Consultation is ongoing regarding the proposed Residential Property Developer Tax, expected to be introduced in April 2022.</p> <p>Changes to Building Regulations, such as the Future Homes Standard effective in 2025, will increase design requirements.</p>	<p>Whilst it started the year emerging from the first national lockdown, the Group has recovered its construction activity close to pre-pandemic levels.</p> <p>The Group has again been recognised for its commitment to quality through its NHBC construction quality scoring and success in the Pride in the Job Awards.</p> <p>In prioritising the safety of residents, the Group continues to incur costs on safety improvements on certain legacy properties.</p> <p>The Group is further increasing the use of MMC to address skilled employee shortages and reduce its environmental impact.</p>	<p>The pressure on labour supply is currently moderate, reflecting the recovery in construction.</p> <p>Uncertainty remains over the impact of changes to the rights of EU, EEA and Swiss citizens to work from July 2021.</p> <p>We have fixed price agreements in place for 96% of centrally procured materials to December 2021 and 71% to June 2022. Around 10% of the Group's materials, by spend, are imported and a further 30%, by spend, contain some imported components.</p>	<p>The Group continues to focus on health and safety, ensuring consistent controls are in place to reduce accidents and injuries.</p> <p>The Group IIR rate has unfortunately increased to 416 for the year (2020: 256) per 100,000 persons employed (including sub-contractors). BSC-accredited COVID-19 working practices and protocols remain in place at sales centres and construction sites, though the risk has diminished as the UK's vaccination programme has progressed.</p>
Response/mitigation	<ul style="list-style-type: none"> Continual monitoring of the market at a Board, Executive Committee, regional and operating divisional level, leading to amendments in the Group's forecasts and planning as necessary. Comprehensive sales policies, 	<ul style="list-style-type: none"> All potential land acquisitions are subject to formal appraisal and approval by the Land Committee. Group, regional and divisional review of land currently owned, committed and identified against 	<ul style="list-style-type: none"> Considerable in-house technical and planning expertise focused on complying with regulations and achieving implementable planning consents that meet local requirements. Robust and rigorous design standards for the homes and places we develop that exceed current and expected statutory 	<ul style="list-style-type: none"> Executive Committee, regional and divisional reviews and quarterly site valuations assess expected margins. Continuous review of quality of design and materials, which are both evaluated by external and internal technical experts, including the NHBC, to 	<ul style="list-style-type: none"> Adhere to the Prompt Payment Code to support the liquidity of our partners. Centralised team procures the majority of the Group's materials from within the UK including sub-contractor materials, ensuring consistent quality and cost. 	<ul style="list-style-type: none"> Nominated social distancing marshal present on all sites. Internal committed health and safety team. Regular health and safety monitoring, internal and external audits of all operational

	<p>regular reviews of pricing in local markets and development of good working relationships with mortgage lenders.</p> <ul style="list-style-type: none"> • Quarterly site valuations based on the latest market data. • Disciplined operating framework with an appropriate capital structure and strong balance sheet. • Working with industry and the banks on the development of alternative mortgage products for customers for when Help to Buy ends. 	<p>requirements.</p> <ul style="list-style-type: none"> • Formal relationship management with key land suppliers, landowners and local authorities. • Review by Land Committee and management on strategic land and sites. • Land forum and academy training events. • Appropriate usage of strategic land. 	<p>requirements.</p> <ul style="list-style-type: none"> • Policies and technical guidance manuals for employees on regulatory compliance and the standards of business conduct expected. • Consultation with Government agencies, membership of industry groups to help monitor, understand and plan for proposed regulation change. 	<p>ensure compliance with all building and other regulations.</p> <ul style="list-style-type: none"> • Monitoring and improving the environmental and sustainability impact of construction methods and materials. • Appropriate insurance cover. • Detailed build programmes and quality reviews. • Implementation of MMC by design and technical teams. • Rigorous testing and analysis of new technologies before full implementation. • Dedicated project team, supported by external experts, responsible for reviewing legacy properties. 	<ul style="list-style-type: none"> • Development of long term supplier and sub-contractor partnerships with all significant supply agreements fixed in advance, usually for 12 months. • Key supplier audit programme to assess risks to the reliability of supply continuity. • Requirement to develop multiple supplier relationships for both labour contracts and material supplies, where possible, with contingency plans should any key supplier fail. • Control of build and material costs throughout build programmes. 	<p>units, and regular Senior Management reviews of developments.</p> <ul style="list-style-type: none"> • Continued reinforcement of Group SHE policies and procedures. • Dedicated SHE Board and SHE Operations Committee that review key performance indicators and improvement plans. • Quarterly performance reviews by divisional management within all operating units. • Independent reviews of our SHE processes.
Key risk indicators	Gross and operating margins, PBT, ROCE, EPS, TSR, total home completions	Land approvals (plots)	Gross and operating margins, PBT, ROCE, EPS, TSR, total home completions	Customer service, total home completions, gross margin, operating margin, PBT, ROCE, EPS, construction waste intensity and carbon intensity reduction	Customer service, gross and operating margin, PBT, ROCE, EPS, TSR, total home completions	Health and safety (SHE audit compliance)

Risk	G Attracting and retaining high-calibre employees	H Availability of finance and working capital	I IT	J Climate change	K Significant nationwide unexpected event affecting multiple locations
Risk level Change from previous year	High risk Increase	Low risk Decrease	Medium risk No change	Medium risk New	Medium risk New
Risk appetite Change from previous year	Medium risk No change	Low risk No change	Low risk No change	Medium risk New	Medium risk New
Link to strategic priorities	Investing in our people	Underpinning all priorities	Underpinning all priorities	Underpinning all priorities	Underpinning all priorities
Risk description	<p>Failure to recruit and/or retain the best people so our employees and business can benefit from the available development opportunities.</p> <p>Development of skilled employees is critical to delivery of the Group's strategy of profit and volume growth through quality and efficiency.</p>	<p>Unavailability of sufficient borrowing and surety facilities to settle liabilities, manage working capital, respond to changes in the economic environment, and take advantage of appropriate land buying and operational opportunities to deliver strategic priorities.</p>	<p>The Group continues to integrate its IT systems to enhance control and drive efficiency. The failure of any of these systems, particularly those relating to customer information, surveying and valuation, could restrict the Group's operations and disrupt progress in its strategic priorities. Failure to comply with data regulations could also incur significant financial penalties and reputational damage.</p>	<p>In the short-to-medium term, Government regulations and customer and investor expectations will require the Group to further enhance its sustainable business practices.</p> <p>In the long-term the Group must adapt to the physical changes to the climate in which it operates.</p>	<p>A significant unexpected event, such as the COVID-19 pandemic or the failure of national infrastructure, could have a material impact on our business.</p>
Responsibility	Executive Committee	Treasury Committee	Technology Risk Sub-committee	Executive Committee	Executive Committee

<p>Current status of risk</p>	<p>The industry continues to face a skills shortage, further affected by the changes to the rights of EU, EEA and Swiss citizens to work from July 2021.</p> <p>Competitiveness for employees in the operational business has increased as the economy has re-opened after the pandemic.</p>	<p>The Group closed the year with net cash of £1,317m. It has a £700m RCF to November 2024 and holds £200m of fixed rate USPP notes that mature in 2027.</p> <p>Management have stress tested the Group's resilience to a severe but plausible realisation of risks and, consider the funding available to be sufficient.</p>	<p>The threat of external cyberattacks and phishing attempts persists with several high-profile incidents being reported in the media during the year.</p> <p>The Group continues to invest in its IT infrastructure, including the implementation of a new site valuation system during the year.</p>	<p>A great global effort is required to keep climate change below 1.5 degrees and avoid the most severe effects of climate change.</p> <p>The UK Government has set a target to reduce emissions by 78% by 2035, aiming to become net zero carbon by 2050.</p> <p>Local planning authorities are declaring climate emergencies, many with ambitions of carbon neutrality by 2030.</p> <p>The introduction of the Future Homes Standard in 2025 and the potential for overheating due to increased average temperatures in summer requires the Group to reassess its designs.</p> <p>The increased frequency of extreme weather disrupts construction and requires our developments to be resilient to its effects.</p>	<p>As businesses further integrate communications and technology into their operations, the likelihood of a significant event with a nationwide impact increases.</p> <p>Whilst the Group has demonstrated its ability to continue trading throughout the pandemic, the emergence of new variants of COVID-19 could again disrupt operations.</p>
<p>Response/ Mitigation</p>	<ul style="list-style-type: none"> • Comprehensive human resources programme including apprenticeships, a graduate development programme, succession planning and training academies tailored to each discipline. • Signatory to the Armed Forces covenant and recruiting through our Armed Forces Scheme. • Ongoing monitoring of employee turnover and absence statistics and feedback from exit interviews. • Annual employee engagement survey to measure employee satisfaction. • Remuneration benchmarking against industry competitors. • Signatory to the Social Mobility Pledge 	<ul style="list-style-type: none"> • Committed bank facilities and private placement notes of around £900m with maturity on the RCF in 2024 and the USPP in 2027. • Policy requiring minimum headroom of £150m of drawings against committed facilities. • Disciplined operating framework with an appropriate capital structure. • Assessed the medium and long-term viability of the business model. 	<ul style="list-style-type: none"> • Centrally maintained IT systems. • Fully tested disaster recovery programme. • Regular reviews to seek to reduce the risk of successful cyberattacks. • GDPR-compliant business processes and data management. • Technology Risk Sub-committee provides oversight of technology risk. • Group-wide compliance and policies on passwords and transferring data to third parties. 	<ul style="list-style-type: none"> • Established the new Board Sustainability Committee and management ESG Steering Committee to oversee the business response to climate risks. • Committed to reduce the Group's operational and indirect carbon emissions significantly, including those from its completed homes and its supply chain. • Review of Future Homes Standard, effective in 2025, to adapt and plan for compliance. • Undertaken a detailed climate risk and opportunities review in consultation with internal business experts and external consultants. • Progressed scenario analysis to determine the resilience of the Group's business model under different climate related scenarios. 	<ul style="list-style-type: none"> • Reviewed business continuity plans in place for possible failures in communications or infrastructure, covering operations at a national and local level. • Stress-testing of the Group's available financing facilities to ensure resilience to a sudden economic shock.

Key risk indicators	Employee engagement score	Average net cash, minimal year-end indebtedness	Customer service, gross and operating margin, PBT, ROCE, EPS	Carbon intensity, waste intensity	Total indebtedness/surplus
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Statement of Directors' Responsibilities

The responsibility statement set out below has been prepared in connection with (and will be set out in) the Annual Report and Accounts of the Company for the year ended 30 June 2021, which will be available to shareholders and published on its website www.barrattdevelopments.co.uk in September 2021.

Financial Statements and accounting records

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with IAS in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the EU. The Financial Statements also comply with IFRS as issued by the IASB. The Directors have also elected to prepare the Parent Company Financial Statements in accordance with IAS in conformity with the requirements of the Companies Act 2006.

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions on an individual and consolidated basis and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements comply with the 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fair, balanced and understandable

The Board considers, on the advice of the Audit Committee, that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company'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 Financial Statements in the Annual Report and Accounts, which have been prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the EU, and those of the Parent Company, which have been prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and Group taken as a whole; and
- b) the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

David Thomas
Chief Executive
1 September 2021

Definitions of alternative performance measures and reconciliation to IFRS

The Group uses a number of APMs which are not defined within IFRS. The Directors use these APMs, along with IFRS measures, to assess the operational performance of the Group as detailed in the Strategic report in the Annual Report and Accounts. These APMs may not be directly comparable with similarly titled measures reported by other companies and they are not intended to be a substitute for, or superior to, IFRS measures. Definitions and reconciliations of the financial APMs used to IFRS measures are included below:

Gross margin is defined as gross profit divided by revenue:

	2021	2020
Revenue per Condensed Consolidated Income Statement (£m)	4,811.7	3,419.2
Gross profit per Condensed Consolidated Income Statement (£m)	1,010.0	614.3
Gross margin	21.0%	18.0%

Adjusted gross margin is defined as adjusted gross profit divided by revenue:

	2021	2020
Revenue per Condensed Consolidated Income Statement (£m)	4,811.7	3,419.2
Adjusted gross profit per Condensed Consolidated Income Statement (£m)	1,114.7	631.4
Adjusted gross margin	23.2%	18.5%

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

	2021	2020
Revenue per Condensed Consolidated Income Statement (£m)	4,811.7	3,419.2
Profit from operations per Condensed Consolidated Income Statement (£m)	811.1	493.4
Operating margin	16.9%	14.4%

Adjusted operating margin is defined as adjusted profit from operations divided by revenue:

	2021	2020
Revenue per Condensed Consolidated Income Statement (£m)	4,811.7	3,419.2
Adjusted profit from operations per Condensed Consolidated Income Statement (£m)	919.0	507.3
Adjusted operating margin	19.1%	14.8%

Adjusted earnings for adjusted basic earnings per share and adjusted diluted earnings per share are calculated by excluding adjusted items and any associated net tax amounts from profit attributable to ordinary shareholders of the Company:

	2021	2020
	£m	£m
Profit attributable to ordinary shareholders of the Company	659.8	399.7
Government grants repaid/(receivable) per note 2.2	26.0	(26.0)
Cost associated with legacy properties per note 2.2	81.9	39.9
Net credit associated with JV legacy properties per note 2.2	(0.4)	–
Tax impact of adjusted items	(20.4)	(2.6)
Adjusted earnings	746.9	411.0

Net cash is defined in note 5.1

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

	2021	2020
	£m	£m
Profit from operations	811.1	493.4
Amortisation of intangible assets	1.1	1.2
Cost associated with legacy properties	81.9	39.9
CJRS grant repayment/(income)	26.0	(26.0)
Operating charges relating to the defined benefit scheme	2.3	–
Share of post-tax profit from JVs and associates	27.7	28.3
Adjusted credit related to JV legacy properties	(0.4)	–
Earnings before amortisation, interest, tax, adjusted items and defined benefit scheme charges	949.7	536.8

	30 June 2021	31 December 2020	30 June 2020	31 December 2019	30 June 2019
	£m	£m	£m	£m	£m
Group net assets per Condensed Consolidated Balance Sheet	5,452.1	5,204.7	4,840.3	4,849.1	4,869.0
Less:					
Other intangible assets per Condensed Consolidated Balance Sheet	(100.0)	(100.6)	(101.1)	(101.7)	(102.3)
Goodwill per Condensed Consolidated Balance Sheet	(805.9)	(805.9)	(805.9)	(805.9)	(805.9)
Current tax liabilities/(assets)	1.0	16.0	2.8	(0.4)	99.5
Deferred tax liabilities/(assets)	8.9	(4.9)	2.4	16.2	17.6
Retirement benefit assets	–	(2.1)	(3.5)	(68.6)	(62.6)
Cash and cash equivalents	(1,518.6)	(1,302.7)	(619.8)	(826.0)	(1,136.0)
Loans and borrowings	205.3	201.1	317.7	399.3	377.7
Prepaid fees	(4.1)	(5.1)	(6.1)	(7.1)	(7.4)
Capital employed	3,238.7	3,200.5	3,626.8	3,454.9	3,249.6
Three point average capital employed	3,355.3		3,443.8		

	2021	2020
Earnings before interest, tax, adjusted items and defined benefit scheme charges (from table above) (£m)	949.7	536.8
Three point average capital employed (from table above) (£m)	3,355.3	3,443.8
ROCE	28.3%	15.6%

Underlying ROCE is calculated as ROCE (above) with net assets also adjusted for land payables:

	30 June 2021	31 December 2020	30 June 2020	31 December 2019	30 June 2019
	£m	£m	£m	£m	£m
Capital employed (from ROCE table above)	3,238.7	3,200.5	3,626.8	3,454.9	3,249.6
Adjust for land payables	658.3	601.1	791.9	830.8	960.7
Capital employed adjusted for land payables	3,897.0	3,801.6	4,418.7	4,285.7	4,210.3
Three point average capital employed adjusted for land payables	4,039.1		4,304.9		

	2021	2020
Earnings before interest, tax, adjusted items and defined benefit scheme charges (from table above) (£m)	949.7	536.8
Three point average capital employed adjusted for land payables (from table above) (£m)	4,039.1	4,304.9
Underlying ROCE	23.5%	12.5%

Total indebtedness is defined as net debt/(cash) and land payables:

	2021	2020
Net cash (£m)	(1,317.4)	(308.2)
Land payables (£m)	658.3	791.9
Total indebtedness	(659.1)	483.7

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

Glossary

ACM	Aluminium Composite Material
AGM	Annual General Meeting
Active Outlet	A site with at least one plot for sale
AIMCH	Advanced Industrialised Methods for the Construction of Homes
APM	Alternative performance measure
ASP	Average selling price
Barratt	Barratt Developments PLC and its subsidiary undertakings
BEIS	Department for Business, Energy and Industrial Strategy
BNG	Biodiversity Net Gain
Building for Life 12	This is the industry standard, endorsed by the Government, for well-designed homes and neighbourhoods that local communities, local authorities and developers are invited to use to stimulate conversations about creating good places to live
Building Regulations	The requirements relating to the erection and extension of buildings under UK Law
Capital Employed	Average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, prepaid fees, retirement benefit asset/obligations and derivative financial instruments
CDP	Charity that runs the global system for disclosure of environmental impacts for investors, companies, cities, states and regions
CJRS	Coronavirus Job Retention Scheme
CMA	Competition and Markets Authority
CMI	The actuarial profession's Continuous Mortality Investigation
COVID-19	Coronavirus Disease 2019
CO2e	Carbon dioxide equivalent
CRM	Customer Relationship Management
DBP	Deferred Bonus Plan
EBT	Barratt Developments Employee Benefit Trust
ELTIP	Employee Long Term Incentive Plan
EPC	Energy Performance Certificate
EPS	Earnings per share
ESG	Environmental Social Governance
EU	European Union
EWS	External Wall System
Foundation	The Barratt Developments PLC Charitable Foundation
FRC	Financial Reporting Council

FTSE4Good	Equity index series of companies demonstrating strong ESG practices
FY	Refers to the financial year ended 30 June
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
GMP	Guaranteed Minimum Pension
Gross margin	Gross profit divided by total revenue
HBF	Home Builders Federation
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIR	Injury incidence rate
ISAE	International Standard on Assurance Engagements
ISO	International Organisation for Standardisation
JVs	Joint ventures
KPI	Key performance indicator
LGBTQ+	Lesbian, gay, bisexual, transgender, queer and other gender expressions
LIBOR	The London Interbank Offered Rate
lpppd	Litres per person per day
LTPP	Long Term Performance Plan
LTV	Loan to Value
MMC	Modern methods of construction
NED	Non-Executive Director
Net cash	Net cash is defined as cash and cash equivalents, bank overdrafts, prepaid fees and interest bearing borrowings
Net tangible assets	Group net assets less other intangible assets and goodwill
Non-recurring items/costs	Costs associated with legacy properties, CJRS grant income, reversal of impairment/impairment of inventories and non-productive site overheads expensed during the COVID-19 lockdown.
NHBC	National House Building Council
NHS	National Health Service
NPPF	The National Planning Policy Framework
Operating margin	Profit from operations divided by revenue
Oregon	Oregon Timber Frame Limited and its subsidiary Oregon Contract Management Limited
PBT	Profit before tax
RCF	Revolving Credit Facility
RIs	Reportable items
ROCE	Return on capital employed ('ROCE') is calculated as earnings before amortisation, interest, tax, operating charges relating to the defined benefit pension scheme and operating adjusting or exceptional items for the year, divided by average net assets adjusted for goodwill and intangibles, tax, net cash, retirement benefit assets/obligations and derivative financial instruments
RPDT	Residential Property Developer Tax
RSPB	Royal Society for the Protection of Birds
SAPS	Self-Administered Pension Scheme
SASB	Sustainability Accounting Standards Board
SBTi	Science Based Targets Initiative
Scheme	The Barratt Group Pension & Life Assurance Scheme
Sharesave	Savings-Related Share Option Scheme
SHE	Safety, Health and the Environment
SIC	Standing Interpretations Committee
Site ROCE	Site operating profit (site trading profit less allocated administrative overheads) divided by average investment in site land and work in progress
SMIS	Senior Manager Incentive Scheme

SMSOP	Senior Management Share Option Plan
SONIA	Sterling Overnight Interest Average
SUDS	Sustainable Urban Drainage Systems
TCFD	The Task Force for Climate-related Financial Disclosures
the Company	Barratt Developments PLC
the Group	Barratt Developments PLC and its subsidiary undertakings
Total completions	Unless otherwise stated, total completions quoted include JVs
Total indebtedness	Net (cash)/debt and land payables
TSR	Total shareholder return
Underlying ROCE	ROCE as defined above, with net assets also adjusted for land payables
UNSDGs	United Nations Sustainable Development Goals
USPP	US Private Placements
WIP	Work in progress