BARRATT
DEVELOPMENTS PLC

2 September 2020

Barratt Developments PLC
Annual Results Announcement for the year ended 30 June 2020

Resilient performance, strong financial position maintained

Commenting on the results David Thomas, Chief Executive of Barratt Developments PLC said:
"While COVID-19 has had a significant impact on our results, our priority has been to keep our people safe, mitigate the effect of the pandemic on our business and be able to emerge from the crisis in a resilient position. Although uncertainties remain, all of our sites are operational, we are seeing very strong consumer demand and our robust financial position means we enter the new financial year with cautious optimism. We are now renewing our focus on our medium term targets, on leading the industry in quality and service and on supporting jobs and economic growth by building the homes the country needs."

£m unless otherwise stated[1,2,3]	Year ended 30 June 2020	Year ended 30 June 2019	Change
Total completions (homes)[4]	12,604	17,856	(29.4%)
Revenue	3,419.2	4,763.1	(28.2%)
Gross margin (%)	18.0	22.8	(480bps)
Profit from operations	493.4	901.1	(45.2%)
Operating margin (%)	14.4	18.9	(450bps)
Profit before tax	491.8	909.8	(45.9%)
Basic earnings per share (pence)	39.4	73.2	(46.2%)
Total dividend per share (pence)	nil	46.4	n/m
ROCE (%)	15.6	29.7	(1,410bps)
Net cash	308.2	765.7	(59.7%)

- COVID-19 and the lockdown period significantly reduced completion volumes, increased costs and impacted profit:
    - Total COVID-19-related costs of £74.3m, comprising £45.2m of safety costs, non-productive site costs and site-based employee costs and £29.1m related to an expected increase in site durations.
    - After COVID-19 costs, adjusted profit from operations was £507.3m (2019: £904.3m) at an adjusted operating margin of 14.8% (2019: 19.0%).
    - After adjusted items of £13.9m comprising CJRS grant income of £26.0m (which was repaid in FY21) and legacy properties costs of £39.9m, profit from operations was £493.4m (2019: £901.1m).
- Profit before tax of £491.8m (2019: £909.8m), impacted by the unprecedented disruption to sales and build in our fourth quarter.
- Resilient balance sheet with net cash at 30 June 2020 of £308.2m (2019: £765.7m) and land creditors of £791.9m (2019: £960.7m) equivalent to 25.4% (2019: 31.3%) of the owned land bank, equating to modest total gearing (including land creditors) of 12.3% (2019: 4.9%).
- Continued industry leadership in quality and customer service recognised through a sixteenth consecutive year achieving more NHBC Pride in the Job Awards than any other housebuilder and the eleventh consecutive year of receiving the HBF maximum 5 Star customer satisfaction rating.
- Our commitment to be the country's leading national sustainable housebuilder demonstrated with new sector-leading carbon reduction targets.
- Net private reservations per active outlet per average week from 1 July through to 23 August have been ahead of the prior year at 0.94 (FY20: 0.68).
- Strong forward sales[(4)] as at 23 August 2020 with 15,660 homes (25 August 2019: 13,064 homes) and a value of £3,706.5m (25 August 2019: £3,037.5m).
- Health and safety continues to be our number one priority and our production levels continue to improve.
- When the Board believes the time is right, it will implement a dividend policy based on a dividend cover of 2.5 times.

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. 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 Annual Report 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 2020.

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://webcast.merchantcantoscdn.com/webcaster/dyn/4000/7464/16532/123319/Lobby/default.htm

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.

For further information please contact:

Barratt Developments PLC
Jessica White, Chief Financial Officer 01530 278 259

Analyst/investor enquiries
John Messenger, Group Investor Relations Director 07867 201 763

Media enquiries
Tim Collins, Head of Corporate Communications 020 7299 4874

Brunswick
Jonathan Glass / Rosie Oddy 020 7404 5959

Barratt Developments PLC LEI: 2138006R85VEOF5YNK29

Introduction

Before the COVID-19 pandemic, we were delivering strong progress against our medium term targets. The onset of COVID-19 and the subsequent lockdown has caused significant disruption to our business and had a substantial impact on our financial performance. Nevertheless, our business has demonstrated its resilience and operational strength delivering 12,604 high quality new homes (including JVs) across Britain in FY20 (FY19: 17,856 homes).

Handling the COVID-19 crisis

The health and safety of all individuals who work for or with us is of fundamental importance to the Board. Prior to the Prime Minister's lockdown announcement on 23 March 2020 to try to control the spread of COVID-19, the Board, together with the Senior Management team, acted quickly and decisively to commence the temporary closure of all of our construction sites, sales centres and offices. This was completed by 27 March 2020. Throughout the lockdown period, the Board worked closely with the Senior Management team and held a number of additional virtual Board meetings to ensure that key decisions such as those relating to furloughing, payment of dividends, workforce remuneration and our liquidity were made in a timely manner.

As the lockdown restrictions eased, the Board monitored the phased reopening of our construction sites in England and Wales from 11 May 2020 and in Scotland from 1 June 2020. By 30 June 2020, all of our construction sites were operational and our employees, other than those shielding, had returned to work.

To safeguard the jobs of the c. 85% of employees that we furloughed, we initially participated in the Government's CJRS. However, given that our financial position has remained resilient, the Board made the decision in July 2020 to return the CJRS funds received of £26.0m.

I would like to take this opportunity to thank the Senior Management team for their tireless commitment to address all of the challenges relating to COVID-19 and the way in which they led our business through this difficult period. It is a testament to their leadership and resilience that our business has emerged in good shape.

Our employees

It is our employees that deliver our success, and our performance is due to the dedication and ability of our skilled and experienced team. I am especially proud of the way in which our entire workforce adapted to changes in working arrangements as we temporarily closed our construction sites, sales centres and offices, through the lockdown period and their subsequent reopening. All of our employees have risen to the challenges brought by COVID-19 and pulled together to get our business back up and running. I would like to take this opportunity to thank them for the support and commitment that they have shown to our business.

The views of our employees are important to the Board and they are at the heart of our operations. Our Workforce Forum has played a vital role in our engagement with our employees during FY20, and continues to inform our actions and decisions. David Thomas, our Chief Executive, sent weekly updates throughout the lockdown period to all employees to keep them informed on matters such as the reopening of construction sites, sales centres and offices, pay, holiday policy, and health and wellbeing. In addition, our intranet was regularly updated with information on corporate and government policy, and a dedicated COVID-19 email address was established to enable employees (including those on furlough) to ask questions or send in comments or suggestions relating to the impact of COVID-19 on our business. We also undertook a pulse survey following the return to work by all employees, other than those shielding, which showed that employees were very positive about the way in which management had dealt with COVID-19 related matters, particularly in respect of pay and communication.

Safety, Health and Environment

Our SHE team played a vital role throughout the whole lockdown period. They ensured the safe temporary closure of our construction sites, sales centres and offices, and continued to regularly check that our closed construction sites remained safe throughout lockdown. They were also instrumental in the reopening of our construction sites, helping us establish and implement extensive COVID-19 working practices and protocols to enable those returning to site to do so safely and in compliance with the Government's social distancing measures.

Sustainability

We believe that at the core of quality housebuilding is a commitment to create a positive environmental, social and economic legacy for future generations. 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.

Good governance of these activities and connecting social, environmental and economic value across our business leads to better long term decisions. Consequently, in January 2020, we published our science-based targets to show our commitment to reducing carbon emissions, both our direct emissions (scope 1 and 2 by 29% from 2018 levels by 2025) and indirect emissions (scope 3 by 11% from 2018 levels by 2030). We also commenced work during FY20 on our programme to achieve compliance with the recommendations of the TCFD.

I am also pleased to report that we performed well in the key indices FTSE4Good, NextGeneration and in CDP surveys.

To further strengthen the capability of our Group Sustainability team we appointed an experienced Group Sustainability Director who is working with the Executive Committee to determine how we can enhance, both operationally and through increased reporting, our position as the country's leading sustainable national housebuilder. Engagement with our stakeholders will play a key role in the development of our strategy in this area.

Quality and service

In FY20 we continued to demonstrate our industry leading credentials for quality and service. Through our Leading construction priority, we are committed to excellence in all aspects of our construction operations, and to building the highest quality homes. We achieved a 5 Star rating in the HBF customer satisfaction survey for the 11th year in a row, a record that is unprecedented for a major housebuilder. Our 5 Star rating means that over 90% of our customers would recommend us to their family and friends, and is the leading industry benchmark of quality and service. In addition, our site managers achieved 92 NHBC Pride in the Job Awards for excellence in site management this year, more than any other housebuilder for the 16th year in a row, and our highest number of awards for seven years.

Winning these awards underlines the high standard of work that our site managers and their teams deliver on a daily basis. It also highlights our high standards and quality to our customers.

Political and economic environment

COVID-19 and the global response to it has damaged the UK economy, and it is likely that there will be an increase in unemployment in the coming months as businesses continue to be impacted. The full extent of the economic impact being caused by COVID-19 is yet to become fully clear, and there remains uncertainty regarding the outcome of the ongoing negotiations regarding the UK leaving the EU.

However, the underlying drivers of the UK housing market remain strong. Home ownership is still the tenure of choice for the majority of people, and this combined with the long term undersupply of new housing means that there remains a good level of underlying demand. The industry has seen encouraging levels of interest and sales as lockdown was eased and sales centres reopened, and we believe that the long term impact of the pandemic on people's choices and priorities will be an increase in demand for the high quality homes that we provide as consumers look for more space both indoors and outdoors.

The Government recognises the importance of housebuilding in achieving their 'levelling up' agenda. The Stamp Duty holiday is an important intervention that will save many of our customers thousands of pounds which they can put towards the deposit for their new home. The proposed reforms to the planning system demonstrate a commitment to speeding up the planning process, offering transparency and certainty to local communities and ensuring we can build the homes the country needs. We also need the planning system to ensure that quality, design and sustainability are at the heart of new development. We hope the forthcoming Future Homes Standard will give the industry the certainty required to invest in building the low carbon homes needed to combat climate change.

Low interest rates continue to keep mortgages at historically affordable levels. However, there has been a reduction in the high LTV lending that many people require to get onto the housing ladder. This has arisen post COVID-19 and reflects a response to a perceived increase in risk and high levels of demand. The restriction and removal of Help to Buy will exacerbate this. It is important that lenders and the Government consider what further options are available to help potential first time buyers who want to purchase their own home.

Culture

In order to remain successful, it is important that we create and embed a positive culture throughout our business. The Board is mindful of the need to set the tone from the top. A review of the culture of our business was undertaken during FY20. Our business has a strong culture of 'doing the right thing' and taking pride in the work that we do whilst remaining focused on the needs of our customers and other stakeholders. We will continue to develop the culture of our business and make further improvements where there is scope to do so.

The New Code

Last year I highlighted that we had early adopted a number of provisions of the New Code and Guidance on Board Effectiveness issued by the FRC in July 2018. These related to Section 172 of the Act: Duty to promote the long term success of the Company; Stakeholder engagement; Chief Executive pay ratio; malus and clawback and pension contributions. This year we have further developed these disclosures in light of evolving best practice and guidance from our advisers.

I am pleased to confirm that we have fully complied with all of the provisions of the New Code. The requirements of the Code will be described throughout the Governance Report in our Annual Report and Accounts, together with explanations as to how we have complied with these requirements and the various provisions.

Board appointments, succession and evaluation

The Nomination Committee continues to oversee Board appointments and succession of Board members, and assesses the composition of the Board and its Committees annually. No new appointments were made to the Board or any of the Committees during the year.

The Board effectiveness review, which was this year facilitated internally with support from Lintstock, confirmed that the Board currently comprises the appropriate skills and experience to drive our strategy forward. We will continue to assess the composition of the Board and focus on identifying any skills, knowledge or experience that will further strengthen the Board's capabilities.

Dividend

Going forward, the Board believes that it is in the best interests of shareholders to have a long term predictable dividend income stream and this is best achieved through an ordinary dividend policy with a defined level of ordinary dividend cover. In addition, it believes that the Company should continue to maintain its disciplined approach both growing completion volumes and investing in attractive land opportunities that meet our hurdle rates whilst reducing gearing. When the Board believes the time is right it will implement a dividend policy based on a dividend cover of 2.5 times.

The Board has previously announced that given the uncertainties caused by the impact of COVID-19, the interim dividend of 9.8 pence per share, equating to c. £100m, would be cancelled, and that it would not propose an ordinary dividend in respect of FY20 or the intended special dividend of £175m in respect of FY20.

The Board continues to recognise the importance of dividends to all its shareholders. The Board however, also feels that given the unprecedented impact of COVID-19 and the importance of a resilient balance sheet, it will no longer propose the FY21 special dividend of £175m which would have been payable in November 2021.

AGM

Our 2020 AGM will be held on Wednesday 14 October 2020. We are closely monitoring the ongoing impact of COVID-19, and developments in UK regulation in relation to how AGMs may be held during this period. Further details about the AGM will be provided in the Notice of AGM.

Looking forward

We have an experienced and committed Board who are focused on promoting the success and long term sustainable value of the Group. We will continue to review our composition and ensure that it aligns with our strategy as we move forward.

The last few months of FY20 were unprecedented but our employees have shown great strength and commitment to getting our business restarted. We start FY21 with a continued focus on our operational and financial performance including our medium term targets.

On behalf of the Board, I thank you for the confidence that you have shown in the business during FY20, especially throughout the lockdown period and for your continued support.

John Allan
Chairman
1 September 2020

Chief Executive's Statement

COVID-19

We acted quickly at the outset of the pandemic and, in line with our commitment to health and safety, took the decision to temporarily close all of our construction sites, sales centres and offices by 27 March 2020.

In response to COVID-19, the Board implemented immediate measures to manage the Group's cost base and cash flows to ensure resilience, including:

- Suspending all land buying activity;
- Ceasing all recruitment activity;
- Postponing non-essential capital expenditure;
- Actively managing cash flows whilst ensuring that we continued to pay our suppliers and sub-contractors on time;
- Cancelling the interim dividend, which was due to be paid on 11 May 2020;
- Furloughing a proportion of our employees at their normal pay; and
- A voluntary 20% reduction in base salary and fees for the Board, the wider Executive and the Regional Managing Director team for the period our sites were closed. In addition, they also agreed to waive any salary or fee increase for FY21.

In addition, in May 2020, the Remuneration Committee agreed with the recommendation of the Executive Directors that there would be no payments to any Director or employee under the FY20 annual bonus scheme.

Following our establishment of extensive COVID-19 working practices and protocols, we gradually restarted our site operations from 11 May 2020 in England and Wales and from 1 June 2020 in Scotland. As a result, all of our construction sites were operational at the end of the financial year and our employees, other than those shielding, had returned to the business.

Through the temporary closure of the business, where around 85% of our employees were placed on furlough, we used the Government's CJRS. Our employees, other than those shielding, had returned from furlough by 1 July 2020. We are grateful for the support that the Government provided to UK businesses through the CJRS, which allowed us to safeguard the jobs of our c. 6,700 employees during the height of the pandemic. Our financial position remained resilient through year end and accordingly, in early July, the Board decided to repay all furlough funds received.

We have delivered a resilient operational and financial performance this year against the unprecedented impact of the COVID-19 pandemic, and the resulting lockdown on our operations. Prior to the pandemic we were delivering strong progress against our medium term targets, with an operating margin of 18.9% in 2019 (2018: 17.7%) and a ROCE for the 12 months to 31 December 2019 of 29.3% (2018: 29.5%). However, the lockdown period had a significant impact on our financial performance this year. Our business model is resilient, with both operational and financial strength, and we remain dedicated to the delivery of the high quality homes the country needs.

Housing market fundamentals

The Government has a target of 300,000 homes to be built per year by the mid-2020s to meet existing demand. Updates to the NPPF, to ensure that local authorities plan positively for housing and are accountable for under-delivery, provide further support to housing growth. We welcome too the latest White Paper on planning reform and we will play an active part in the consultation process over the coming months.

The lending environment, positive up until the pandemic, has become less certain. Whilst mortgage rates remain attractive, reflecting greater competition in the mortgage market and a broad spread of lenders supporting homebuyers, there has been a material change in LTV lending criteria.

Prior to the pandemic the availability of both 95% LTV lending and the Government's Help to Buy scheme provided invaluable help for those seeking to get onto the housing ladder. Today there are no mainstream mortgage lenders providing mortgages at 95% LTV for new build homebuyers, increasing the current reliance of purchasers on Help to Buy.

The Government has confirmed that Help to Buy will only continue in its current form until March 2021. Thereafter a new scheme will be in place for two further years, limited to first time buyers with regional price caps. We have been planning for the changes to the Help to Buy scheme in our land acquisition since the new scheme was announced.

Up to March 2020, 272,852 homes had been bought using the scheme, 82% of these by first time buyers, (source: MHCLG, Help to Buy (equity loan scheme) statistics: April 2013 to March 2020).

Although Help to Buy continues for first time buyers through to 31 March 2023, the regional price caps will prove restrictive for many, particularly those looking to purchase new homes in parts of the North and the Midlands where the price caps create significant limitations on the choice of new housing available within the new scheme. During FY20, 46% of our purchasers who used Help to Buy would not qualify for the new Help to Buy scheme, but they would qualify for other mortgage products or be able to use our part-exchange schemes.

Performance overview

Our purpose is to lead the future of housebuilding by putting customers at the heart of everything we do. We are very proud to lead the industry in both build quality and customer service. We are committed to playing our part in addressing the housing shortage and helping to rebuild Britain's economic activity after the disruption created by COVID-19.

Prior to the lockdown, we were delivering strong progress against our medium term targets including increasing completion volumes whilst maintaining our industry leading quality and service. As at 22 March 2020, we had delivered 10,364 total home completions including 484 joint venture completions, up 9.8% on the prior year equivalent period (2019: 9,437 homes). The lockdown halted construction activity and meant the closure of our sales centres until 21 May 2020 in England, 11 June 2020 in Scotland and 25 June 2020 in Wales. As a result, wholly owned completions declined by 29.7% to 12,034 homes in the year ended 30 June 2020 (2019: 17,111 homes). In addition, we delivered 570 homes through our joint ventures in the year (2019: 745 homes). Total home completions including JVs for the year were therefore 12,604 homes (2019: 17,856 homes).

The significant progress on our gross margin targets and resulting profitability, as demonstrated by our half year results was understandably, severely impacted by the COVID-19 pandemic. At the half year, we had delivered a profit from operations of £421.7m (H1 FY19: £409.7m) and a profit before tax of £423.0m (H1 FY19: £408.0m).

As well as causing the significant reduction in completion volumes with the associated impact on our profitability this year, COVID-19 has resulted in significant additional costs. During the lockdown period and in preparation for site recommencement we incurred £45.2m of safety costs, non-productive site costs and site-based employee costs and £29.1m related to the expected increase in site durations due to COVID-19. After charging this £74.3m, we made an adjusted profit from operations of £507.3m (2019: £904.3m) at an adjusted operating margin of 14.8% (2019: 19.0%).

In total, we incurred net adjusted items of £13.9m comprising £26.0m of CJRS grant income, which we have repaid since the year end, offset by, as previously announced, £39.9m of costs associated with legacy properties, including Citiscape and the associated review, and developments where cladding has needed to be removed and replaced. After these adjusted items we delivered a profit from operations for the year of £493.4m (2019: £901.1m) at an operating margin of 14.4% (2019: 18.9%).

As a result, we experienced a decline in profit before tax for the year to £491.8m (2019: £909.8m).

The closure of all of our construction sites by 27 March 2020 came at our peak point for work in progress. Prior to the pandemic we had been expecting to achieve completions ahead of the 17,856 homes we achieved last year, and had been investing in work in progress to deliver a substantial number of homes in our fourth quarter. As a result of this and the decrease in our profit for the year, our ROCE, which had grown from 23.9% in FY15 to 29.7% in FY19, reduced to 15.6% in FY20.

Our balance sheet remains strong, with year end net cash of £308.2m (2019: £765.7m), land creditors of £791.9m (2019: £960.7m) and therefore a modest total gearing (including land creditors) of 12.3% (2019: 4.9%). At 30 June 2020 our net tangible assets were £3,933.3m (2019: £3,960.8m).

Throughout the year we have maintained a disciplined approach across our operations and this combined with our strong balance sheet will enable us to keep investing in our business as market conditions become clearer.

The health and safety of our employees, sub-contractors and customers remains a fundamental priority. We have continued to rebuild productivity levels and have seen our production levels continue to improve, benefitting from the return of additional sub-contractors, extended operating hours on many of our sites and from delayed new sites commencing construction. This provides the foundation for increasing volumes following the COVID-19 disruption, whilst maintaining our industry leading quality.

Whilst land buying was temporarily suspended, we remained active in the land market, negotiating attractive fully conditional options. We have now re-entered the market selectively, maintaining our disciplined approach, where we see attractive opportunities.

Our operating framework and appropriate capital structure has served us well over the last three years. The resilience they have created was demonstrated in FY20 given the unprecedented impact of COVID-19. Reflecting the changed economic and trading backdrop we have adjusted our operating framework to reflect our dividend

policy, include a new target range for land creditor usage and introduced a target for minimal total indebtedness in the medium term.

We enter FY21 focused on rebuilding both our completion volumes and our financial performance towards our unchanged medium term targets.

	FY20	Areas of focus for FY21	Medium term targets
Wholly owned completions	12,034 homes	• Driving site based construction activity • Maximising sales for customers who will not qualify under the new Help to Buy scheme • Wholly owned home completion growth to 14,500 - 15,000 homes in FY21	• Disciplined growth in wholly owned home completions
Gross margin	18.0%	• Rebuilding site based construction activity to improve fixed cost recovery • Controlling materials and labour cost inflation	• Land acquisition at a minimum 23% gross margin and optimising performance
ROCE	15.6%	• Tight control of working capital with build release aligned with home completion cash generation • Focus on cash with selective land spend beyond land creditor settlements	• Minimum of 25% delivered through improving margin and return to operating framework

Sustainability

We are committed to creating a positive environmental, social and economic legacy for future generations. This goes to the core of quality housebuilding - creating high quality homes and communities in great places, and ensuring we provide a positive legacy that helps local communities thrive. Providing confidence to our customers that their homes are designed and built to meet the challenges of the future is vital, and underpins our business.

The protection and enhancement of the resources on which our business relies, our people, the communities in which we operate, our partners and the planet require that we do business sustainably and create value for our stakeholders. Good governance of these activities and connecting social, environmental and economic value across our business leads to better long term decisions.

From keeping people safe and healthy to ensuring sustainable and responsible sourcing, our Sustainability Framework 2020+ ensures we continually progress the sustainability focus areas that matter most to our stakeholders. Each of these areas has set targets and KPIs, with a member of the Board accountable for specific actions to ensure delivery.

We have also put in place new sector leading targets:

- Earlier this year we became the first national housebuilder to publish science-based targets for reducing carbon emissions, and the new net zero goal extends this sustainability roadmap further;
- Commitment to purchase 100% of our operational electricity from renewable sources by 2025;
- Committed to delivering low carbon homes for customers, we have set a target to ensure new standard housetype designs will be net zero carbon in use from 2030; and
- By 2040 we will become a net zero greenhouse gas emissions business across all of our direct operations.

Sustainability 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. This is delivered through our strategic priorities of customer first, great places, leading construction and investing in our people, and our principles of keeping people safe, being a trusted partner, building strong community relationships, safeguarding the environment and ensuring the financial health of our business.

Customer first: Leadership in quality and service

We have a long term commitment to quality and customer service and we believe our industry leadership in these areas is fundamental to maintaining the strength and resilience of our business. This enduring commitment to quality and customer service has been evidenced through external benchmarking. We are the only major housebuilder to be awarded the maximum 5 Star rating by our customers in the HBF customer satisfaction survey for 11 years in a row and our customer satisfaction rating is consistently above 90%.

Great places: We remain committed to building more high quality homes
We remain committed to playing our part in addressing the housing shortage. We design attractive developments that meet our high quality standards and through effective place making, will enhance local communities for years to come. 93 of our sites have received Built for Life accreditations, 23 of which were rated outstanding.

Leading construction: Construction excellence and modern methods of construction
We seek to achieve excellence across all aspects of construction. Our people take pride in what they do and this helps us put customers first by delivering industry leading quality homes. This commitment has once again been recognised through the NHBC Pride in the Job Awards where in June 2020 our site managers were awarded 92 awards, more than any other housebuilder for the 16th consecutive year.

We are also committed to increasing the number of homes we build using MMC to increase efficiency and to help mitigate the challenges posed by the shortage of skilled workers within the industry. We continue to develop, trial and implement MMC. In 2020 we constructed 2,652 homes (21% of our home completions) using MMC including timber frame, large format block and offsite manufactured ground floor solutions and roof cassettes. Our target is to use MMC in the construction of 25% of our homes by 2025.

Timber frame construction is a sustainable, low energy method of build and is assembled in factories to high standards. Over the last three years, we have built 6,035 homes using timber frame, the majority in Scotland. We are also increasing its use across England and Wales. Last year, we acquired Oregon, a UK manufacturer of timber frames. Oregon, which was already one of our key timber frame suppliers providing high quality products and excellent customer service, has continued to expand and has opened an additional factory as we look to expand further our use of timber frame.

Investing in our people
Our employees have reacted in a resilient and adaptable way during the challenges posed by COVID-19, both those who worked hard to get us ready to restart on site, and those who were not able to work during the period of temporary closure, many of whom were inspirational as volunteers in their local communities. I would like to take this opportunity to thank them for the support and commitment that they have shown to our business. We were pleased to be able to support all of our employees throughout our period of hibernation on their normal pay.

We are building a diverse and inclusive workforce that reflects the communities in which we operate, delivering excellence for our customers by drawing on a broad range of talents, skills and experience.

We are investing for the future and continue to develop award winning schemes including those for graduates, apprentices and former Armed Forces personnel, alongside our own Degree Apprenticeship in Residential Development and Construction run in conjunction with Sheffield Hallam University.

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

We seek to create a great place to work founded on an open and honest culture. We engage with our employees on a regular basis so we can understand their issues and concerns and address them. We carry out an annual engagement survey, further surveys throughout the year and consult with our Workforce Forum. The feedback received is used to drive continual improvements. Employee engagement remains a key measure of our success and we are pleased to have maintained UK upper quartile performance in our engagement survey for the seventh consecutive year.

We value everyone for who they are and the unique contribution they bring. We seek to represent the communities in which we operate and we know that a diverse team means a stronger business, is better for our customers and makes us a more attractive employer. Through our Diversity and Inclusion strategy we remain committed to creating an inclusive environment for everyone. We have identified targets for gender and ethnicity representation, our leaders have completed Diversity and Inclusion training and all of our employees complete mandatory diversity e-learning as part of their induction. We have expanded our career development program for female leaders and are committed to supporting underrepresented groups, to ensure everyone reaches their potential.

We are now an accredited Living Wage Employer, making us one of the first major housebuilders to receive the accreditation. The real Living Wage is different to the Government’s National Minimum and Living Wage, as it is an independently calculated higher hourly rate of pay that is based on the actual cost of living. Receiving this accreditation demonstrates our commitment to our employees as well as our suppliers and sub-contractors.

Keeping people safe
A fundamental priority is to provide a safe working environment for all our employees and sub-contractors. We are committed to achieving the highest industry health and safety standard and the wellbeing of our people is paramount to us.

Prior to COVID-19, increased activity levels across the industry in terms of site openings and production volumes combined with shortages of skilled employees and sub-contractors contributed to an increased risk of accidents on sites.

Following the outbreak of COVID-19 the risk profile of our sites was fundamentally reassessed, particularly around the demands for social distancing. Our sites are operating safely with COVID-19 working practices and protocols that have been established in line with the latest guidance from Government, Public Health Authorities and the Construction Leadership Council. This includes changes to signage, site welfare facilities and compounds, site access and walkways. We have also enhanced our induction, training and support for our employees and sub-contractors in response to COVID-19. We have received an Assurance Statement from the British Safety Council certifying that our COVID-19 workplace safety, health and environmental arrangements are in accordance with current guidance and best practice, demonstrating our commitment to providing a safe and healthy workplace.

We have stringent standards and a continuous focus on health and safety throughout our business. In line with the industry we are seeing pressures in this area but we continue to seek to reduce the number of injuries occurring. We are committed to improving our processes and procedures and challenging unsafe behaviours. We also continue to focus on ensuring workers do not suffer long term issues associated with their work activities and are looking at ways we can further improve standards. In the year ended 30 June 2020, our reportable injury incidence rate was 256 (2019: 297) per 100,000 workers and our Health and Safety SHE audit compliance rate was 96% (2019: 96%).

Safeguarding the environment
Reducing carbon emissions
We recognise the contribution we can make to the UK's reduction of carbon emissions and in May 2019 we signed a letter alongside 127 other businesses, investors and business networks calling for the Government to accept the Committee on Climate Change's proposed target and make Britain net zero carbon by 2050.

In January 2020 the Board approved our own new challenging science-based carbon reduction targets. In our own operations we will aim to reduce carbon emissions by 29% from FY18 to FY25, through measures like reducing diesel used by generators on site, amending our vehicle policies and implementing energy efficiency opportunities across our offices, sites, sales centres and show homes. During the year our carbon intensity measure increased by 9.7% mainly as a result of delays created between our construction activities and home completions.

In addition, we are focused on the measureable steps that we can take to reduce both the embodied carbon in our supply chain and in-use carbon from our homes, including increasing the use of timber frame in home construction, which is a sustainable technology. We have set a target to reduce indirect carbon emissions by 11% from our supply chain and our homes by 2030. Partnerships with our suppliers and sub-contractors are key to the delivery of our goals and we continue to engage with them in respect of this. In July this year we launched a Sustainability Capability Matrix with our suppliers, enabling our category managers to work with our suppliers and together drive progress against our sustainability priorities.

We are working with Innovate UK on AIMCH, a research project to compare issues such as embodied carbon in homes and the generation of waste between offsite and traditional build methods. We are actively looking at how we can meet the Future Homes Standard and design homes which are not connected to the gas grid.

Biodiversity and water
We are aiming to create a net positive impact for ecology and biodiversity across all developments we are progressing through planning from 2020. We hold a strategic partnership with the RSPB and released wildlife friendly show home garden guidance in July 2019. This mandates newly designed show home gardens to reach at least 'Bronze Level' standard against RSPB criteria.

We have also published our 'Approach to Water', which explains the ways in which the business is mitigating the risks from flooding and freshwater scarcity both to our business and to the communities in which we operate.

Waste
We continue to focus on waste and resource efficiencies and take practical steps in our operations to reduce waste.

We have disappointingly seen a further rise in waste intensity of 18% in FY20 (FY19: 8% increase). This is an 8.6% increase compared to the baseline in FY15 and puts our longer term target for waste reduction at risk. We have undertaken a review and identified that onsite segregation can be improved. We have commenced a back to basics campaign in order to reinforce monitoring and tracking of waste reduction actions across our sites.

As part of our efforts to analyse and understand the root causes of waste, we also conducted a survey of 72 suppliers to investigate the extent and types of single use plastic packaging on site, identifying opportunities to reduce it through further collaboration.

Charitable giving

We are committed to creating a positive legacy in the communities in which we live and work and we aim to be industry leading in our approach to charitable giving and social responsibility. We believe it is important to support charitable causes both locally and nationally and we actively promote charitable giving and volunteering amongst our employees. In FY20 we raised and donated £4.4m (FY19: £2.9m) for charitable causes.

COVID-19 has made it all the more important to do what we can to support our communities. We have donated £100,000 to NHS Charities Together directly and an additional £50,000 to NHS Charities Together through The Sun's Who Cares Wins campaign, as well as, £25,000 to The Big Issue to support vendors who were unable to sell the magazine during the lockdown. In the early stages of the pandemic, we also donated 5,000 medical standard facemasks to the NHS and all 400 of our defibrillators to St John Ambulance and St Andrew's First Aid. This is in addition to our Big Barratt NHS Thank You, under which we provide a deposit contribution to NHS workers trying to get onto the property ladder. To date the NHS Thank You has funded over £10.0m of deposit contributions.

The Group has also entered into new partnerships with a number of charities this year. In September 2019, we signed up to a three year £1m partnership agreement with Outward Bound Trust. The Trust uses outdoor adventure programmes to help young people access nature and build resilience and self-belief. Our partnership will help around 2,400 children, while 82 of our employees will get the opportunity to act as mentors on Outward Bound courses. We also entered into a three year partnership with HighGround to help fund horticultural therapy services for injured service personnel and became the official sponsors of the Whizz Kidz Kidz Board, a group of young wheelchair users who meet to discuss and develop recommendations around the issues facing disabled young people. These partnerships build on our existing partnerships with St Mungo's, a homelessness charity, The Royal British Legion Industries (RBLI) helping build a Centenary Village for ex-servicemen and women, as well as our long term commitment to the RSPB to improve the sustainability of our developments, enhancing and improving habitats and supporting wildlife.

Two of the Group's five principles are 'Being a trusted partner' and 'Building strong community relationships' and we are committed to partnering with local organisations to support and improve communities and leave a positive legacy in the areas in which we work. Through the Barratt & David Wilson Community Fund this year we have supported a range of different causes, from new equipment for a local sports club to playgroups at a children's hospice, and from support groups for cancer sufferers to library buses for local schools. A number of our divisions also supported the fight against COVID-19, donating to Meals for the NHS and St John Ambulance.

Dividend policy

We recognise the importance of dividends to our shareholders. Going forward, we believe that it is in the best interests of shareholders to have a long term predictable dividend income stream, through an ordinary dividend policy with a defined level of ordinary dividend cover. When the Board believes the time is right it will implement a dividend policy based on a dividend cover of 2.5 times.

Current trading and outlook

We are focused on rebuilding our completion volumes to our medium term target and 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 across all regions in the new financial year to date has been encouraging, with net private reservations per average week of 314 (FY20: 250), resulting in net private reservations per active outlet per average week of 0.94 (FY20: 0.68). We have also seen a substantial increase in home completion volumes in the eight weeks to 23 August 2020, which were up 62.4% compared to the prior period at 1,439 homes including JVs (25 August 2019: 886 homes including JVs). The increased activity levels are being stimulated by a combination of pent-up demand, the Stamp Duty holiday and an understanding that Help to Buy will only be available to first time buyers and regional home price caps will exist from April 2021.

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

	23 August 2020		25 August 2019		Variance %	
	£m	Homes	£m	Homes	£m	Homes
Private	2,143.7	6,577	1,583.5	5,088	35.4	29.3
Affordable	1,277.6	8,249	1,133.9	7,089	12.7	16.4
Wholly owned	**3,421.3**	**14,826**	**2,717.4**	**12,177**	**25.9**	**21.8**
JV	285.2	834	320.1	887	(10.9)	(6.0)
Total	**3,706.5**	**15,660**	**3,037.5**	**13,064**	**22.0**	**19.9**

We are pleased that since the start of the new financial year we have seen our production increase, constructing the equivalent of 347 homes in the week ending 23 August 2020 and we are on track to deliver our planned output.

Based on current market conditions, construction activity levels and assuming no further lockdowns, we expect to grow wholly owned completions to between 14,500 and 15,000 homes in FY21, and in addition around 650 completions from our joint ventures, whilst ensuring we maintain our industry leading standards of quality and service.

Whilst there continues to be economic and political uncertainty, the Group is in a strong position. We have a substantial net cash balance, a well-capitalised balance sheet, a healthy forward sales position, a continued focus on delivery of operational improvements across our business and an ongoing commitment to deliver high quality homes across the country. We have therefore now re-entered the land market selectively, maintaining our disciplined approach, where we see attractive opportunities.

Our experienced Board remains focused on taking the actions necessary to safeguard the operational and financial strength of the business whilst our first priority remains the health and safety of our employees, sub-contractors and customers.

The Board will continue to monitor the market and economy and believes that our strong financial position provides us with the resilience and flexibility to react to changes in the operating environment in FY21 and beyond.

David Thomas
Chief Executive
1 September 2020

Chief Financial Officer's Review

Our financial performance this year is substantially lower than our expectations after our half year performance due to the significant impact of COVID-19. The strength of our balance sheet, the resilience embedded in our business model and the immediate actions taken by the Board positioned us well for the challenges arising from COVID-19.

Results for the year ended 30 June 2020

Profitability

We delivered a resilient performance on home reservations in the year given that COVID-19 resulted in the physical closure of our sales centres from 23 March until 21 May in England, 11 June in Scotland and 25 June in Wales. Our overall net private reservation rate for the year was 0.60 (2019: 0.70) per active outlet per average week.

We had three distinct periods for reservations in the year as follows:

	Pre lockdown	Lockdown	Post lockdown	Full Year
	38 Weeks	8 Weeks	6 Weeks	
	(1 July to 22 March)	*(23 March to 17 May)*	*(18 May to 30 June)*	*(1 July to 30 June)*
2020	**0.73**	**(0.10)**	**0.63**	**0.60**
2019*	0.68	0.82	0.69	0.70
Variance %	7.4%	n/m	(8.7%)	(14.3%)

2019 is equivalent period

Prior to the COVID-19 pandemic, the market was stable with a net reservation rate of 0.73 per active outlet per average week, 7.4% up on the 0.68 achieved in the prior year equivalent period ('PYEP').

Whilst we kept our sales centres open virtually throughout the pandemic, and implemented new selling techniques using technology, during the lockdown period we experienced a lower level of reservations as most customers prefer to visit our sales centres before reserving. We also experienced a relatively high level of cancellations in this period, a reflection of build-related delays to completion dates and employment uncertainty for some customers. This resulted in a net negative reservation rate of 0.10 per active outlet per average week. This period is normally the height of the spring selling season with 0.82 net private reservations secured in the PYEP.

Following the reopening of our sales centres and our controlled restart of construction activities, we achieved a net reservation rate of 0.63 per active outlet per average week for the last six weeks of our financial year. Whilst this was 8.7% below the PYEP, this rate included all of our active outlets in a period where our sales centres gradually reopened. We also saw our cancellation rate return to more normal levels in this period.

During the year, we operated from an average of 366 active outlets (2019: 379 outlets) including JVs. We launched 75 new outlets (2019: 163 outlets) including JVs in the year with the lockdown severely curtailing new outlet openings in the final quarter. In FY21 we expect to operate from a slightly lower number of active outlets reflecting delays to new site commencements created by the impact of the period of lockdown on our operations. We expect to legally complete a similar proportion of affordable homes at c. 20% of total home completions in FY21.

Following the disruption to build from the site closure, lockdown and restart process, completion volumes substantially declined year on year as follows:

Completions (homes)	**FY20**	**FY19**	**Change**
Private	9,568	13,533	(29.3%)
Affordable	2,466	3,578	(31.1%)
JV	570	745	(23.5%)
Total (including JVs)	**12,604**	**17,856**	**(29.4%)**

Selling prices have remained resilient throughout the year, with no discernible change in pricing levels post COVID-19. Our total average selling price ('ASP') was £280.3k (2019: £274.4k), with private ASP at £310.6k (2019: £312.0k), reflecting changes in mix with a lower proportion of completions from London. Outside of London, our private ASP increased by 2.2% to £303.6k (2019: £297.2k), mainly driven by geographical mix. Affordable ASP increased by 23.3% to £163.0k (2019: £132.2k) reflecting changes in mix, primarily the proportion of completions from London.

The significant progress against our medium term targets and our profitability was severely impacted by the COVID-19 pandemic due to a material reduction in completion volumes and substantial additional costs.

Our adjusted gross margin in FY20 was 18.5% (2019: 22.8%), with the decline primarily reflecting the reduction in completion volumes coupled with additional costs associated with expected extended site durations. Adjusted gross margin also includes 150 bps of non-recurring costs, relating to non-productive site overheads during lockdown (£45.2m, 130 bps impact) and an inventory provision (£8.2m, 20 bps impact). Including adjusted items from legacy property costs and CJRS grant income, gross margin was 18.0% (2019: 22.8%).

This year, we delivered an adjusted operating profit of £507.3m (2019: £904.3m) at an adjusted operating margin of 14.8% (2019: 19.0%). The decline reflected the reduction in adjusted gross margin partly offset by a significant reduction in administrative expenses primarily due to the effect of COVID-19 on incentive schemes. Operating margin was 14.4% (2019: 18.9%) again reflecting the costs associated with legacy properties and CJRS grant income.

The decline in adjusted operating margin reflects a number of factors:

- **Completion volumes:** the most significant impact related to the decline in wholly owned completion volumes. The 29.7% or 5,077 unit reduction in wholly owned home completions created a 190 bps negative impact.

- **New sites:** the benefit of the Group's minimum 23% gross margin on incremental site openings as well as the improved build cost performance of our housing range generated a 50 bps positive impact.

- **Net impact of build costs relative to selling prices:** modest sales price inflation across the year relative to underlying build cost inflation produced a 50 bps negative impact.

- **Site extension costs:** this arises from an expected extension in site durations due to COVID-19 of approximately six months reflecting the recovery in site efficiency through to year end. In line with our accounting policy, which requires an equal margin to be recognised on all homes completed in the financial year and future years, there was a charge of £29.1m across all ongoing sites in 2020 and a 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 60 bps negative impact.

- **Administrative expenses:** following the onset of COVID-19 we took a number of actions to reduce costs, including the cessation of all recruitment activity and the decision to make no payments under the FY20 annual bonus scheme, which contributed to a significant reduction in administrative expenses. This added 120 bps to the adjusted operating margin. In FY21, we expect administrative expenses will revert back to previous levels at c. £195m.

- **Inventory provision charge:** primarily resulting from changes in the expected commercial revenues following the substantial deterioration in the retail and restaurant sector, reduced the viability of a mixed use site and, as a result, there was a net charge of £8.2m with a 20 bps reduction.

- **Non-productive site overheads:** these costs, which would normally be capitalised to WIP were instead expensed due to the absence of activity during the lockdown period totalled £45.2m. These costs related to safety measures, non-productive site and site-based employee costs and had a 130 bps negative impact on the adjusted operating margin.

There were two adjusted items recognised during the year, being costs associated with legacy properties and grant income received under the CJRS.

- **Cost associated with legacy properties:** the Group incurred an additional £39.9m (2019: £6.9m) of costs in the year. Of this £11.4m related to legacy properties comprising costs related to developments where cladding has needed to be removed and replaced. The remaining £28.5m relates to Citiscape and the associated review. As previously announced, in July, in line with our commitment to customers and recognising the responsibility we have for the work of our partners, we took the decision to pay for required remedial action on the reinforced concrete frame at Citiscape, a development designed for us in 2001 by a third-party structural engineering firm, which would otherwise fall on leaseholders. We apologise unreservedly to affected customers that the standards that we set for ourselves and our partners were not met at these developments. While we have no legal liability to cover the costs of this work, as a responsible developer, we appointed independent structural engineers to review the 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. The preliminary reviews of all of these developments have not identified any issues as severe as those present at Citiscape. Engineers are now undertaking more detailed reviews to see if any remediation of the concrete frames is required and in line with our commitment to put our customers first, we will ensure

that no costs associated with these remedial works are borne by leaseholders. The total costs for the required remedial programme at Citiscape, the structural engineering reviews and remediation required at other buildings, is estimated to be around £70m of which, based on the Group's liability for works at 30 June, £22.1m was provided in H2 FY20. At its meeting on 5 July 2020, the Board committed to pay for other remedial works including Citiscape, with a total estimated cost of £48m, which will be charged in FY21.

- **CJRS grant income:** through the period of temporary closure of the business, where around 85% of our employees were placed on furlough, we used the Government's CJRS receiving £26.0m. With our employees, other than those shielding, having returned from furlough at the start of July and our financial position remaining resilient, the Board decided on 5 July 2020 to repay all furlough funds received. With the decision to repay CJRS funds taken after the year end, we have recognised the total grant income received in FY20 as an adjusted item. In FY21 the return of this grant income will be recognised as an expense in adjusted items.

As a result, we delivered an operating profit of £493.4m (2019: £901.1m).

Net finance charges were £29.9m (2019: £28.8m). This £1.1m increase reflects the cash phasing profile in the year, a £2.0m finance charge on leased assets following the adoption of the new accounting standard offset by a £1.6m reduction in the imputed interest on land creditors, which as a proportion of our owned land bank reduced in line with our operating framework. In FY21, finance costs are expected to be similar to FY20 at c. £30m of which c. £10m is cash and c. £20m is non-cash.

Joint ventures delivered a reduced profit for the year of £28.3m (2019: £37.5m) reflecting reduced profit from land sales and the impact of the COVID-19 lockdown on both build activity and completions. In FY21, we expect to deliver around 650 joint venture completions.

As a result, profit before tax for the year declined to £491.8m (2019: £909.8m). The tax charge for the year was £89.1m (2019: £170.4m) at an effective rate of 18.1% (2019: 18.7%).

Basic earnings per share reduced to 39.4 pence per share (2019: 73.2 pence per share).

With the substantial decline in Group profitability in FY20, our ROCE, which had improved from 23.9% in FY15 to 29.7% in FY19 and was 29.3% in the 12 month period to 31 December 2019, reduced to 15.6% in FY20.

Cash flow

Net cash decreased to £308.2m at 30 June 2020 (2019: £765.7m). The decline in net cash primarily reflected a £121.0m net cash outflow from operating activities (2019: £361.3m cash inflow), a net £41.0m cash inflow from reduced investment in joint ventures (2019: £15.9m cash inflow) and £373.2m dividends paid to shareholders in the year (2019: £452.3m).

The major drivers of the net cash outflow from operating activities in the year to 30 June 2020 were:

- The reduced level of profit from operations, which declined to £493.4m (2019: £901.1m);
- A cash outflow in respect of working capital and provisions of £428.1m (2019: £347.5m); and
- Interest and tax payments which totalled £199.0m (2019: £171.8m).

The £428.1m outflow in respect of working capital and provisions consisted of:

- A £211.8m increase in inventories reflecting the additional construction work in progress carried at the end of the year following the disruption to completions caused by COVID-19, as well as a modest increase in land investment;
- A £129.3m decrease in receivables which reflected the lower level of construction and sales activity in the last quarter caused by COVID-19;
- A £373.8m decrease in respect of payables. This consisted of a £168.8m reduction in land creditors and a £216.7m decrease in trade payables reflecting payments made to our suppliers and sub-contractors, which were not replaced at the same level due to the lower level of construction activity due to the impact of COVID-19 in our last quarter; and
- A £28.2m increase in provisions as a result of additional costs associated with legacy properties.

Balance sheet

The Group's net assets at 30 June 2020 totalled £4,840.3m (2019: £4,869.0m) after the payment of dividends totalling £373.2m (2019: £452.3m).

At 30 June 2020, the Group had net cash balances of £308.2m (2019: £765.7m). As at 30 June 2020 land creditors had reduced to £791.9m (2019: £960.7m) and equated to 25.4% (2019: 31.3%) of the owned land bank, in line with our pre-existing operating framework, but also reflecting our suspension of land buying activity from March through to August. Our total gearing, including land creditors, has increased to 12.3% at 30 June 2020 (2019: 4.9%) an

increase of 740 bps. Whilst our total gearing, including land creditors, has reduced by 360 bps since 2016, we are focused on reducing it from the current level over the medium term.

In FY21, we expect average net cash of c. £300m across our financial year, and net cash balances of around £550m at 30 June 2021. Land creditors are expected to further reduce, reflecting the suspension of land buying in FY20 and the timing of payments due to existing land creditors, with £492.9m falling due for payment in FY21. Land creditors due beyond FY21 total £299.0m at 30 June 2020 (2019: £385.6m due beyond FY20).

Net tangible assets were £3,933.3m (386 pence per share) at 30 June 2020, (2019: £3,960.8m, 389 pence per share). Land, net of land creditors, and work in progress totalled £4,172.8m (410 pence per share) at 30 June 2020 (2019: £3,743.7m, 368 pence per share).

The key dimensions underpinning delivery of our strategy

Land and planning
The land market prior to COVID-19 remained stable allowing our operations to secure plots on attractive terms at our minimum 23% gross margin and 25% ROCE hurdle rates. We acted quickly and decisively in response to COVID-19, and in line with our established action plan for significant unexpected events, suspended land purchasing on 19 March 2020. As a result, we approved the purchase of significantly less land in FY20 than we had envisaged earlier in the financial year with £368.1m (2019: £859.8m) of operational land approved for purchase, which we expect to equate to 9,441 plots (2019: 18,448 plots).

The suspension of land buying activity both protected our cash flows and enabled us to assess the market and gain greater clarity on the economic impact of the pandemic.

We have a strong land bank and have therefore recommenced land buying selectively, maintaining our disciplined approach, where we see attractive opportunities. Including the payment of land creditors, we would expect to invest c. £850m in land during FY21, (FY20: £780m invested in land).

Our target remains to have 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. The aim for a shorter than sector average land bank reflects our focus on ROCE and our fast build and sell model. Reflecting our reduced completion volumes in FY20 due to COVID-19, at 30 June 2020 we are above this target with 6.7 years land supply comprising 5.7 years owned land and 1.0 year of controlled land, with the owned land bank including land with both outline and detailed planning consents.

Our land bank at 30 June comprised:

Our land bank	**30 June 2020**	**30 June 2019**
Owned and unconditional land bank (plots)	68,393	66,423
Conditionally contracted land bank (plots)	11,931	13,599
Total owned and controlled land bank (plots)	**80,324**	**80,022**
Number of years' supply	**6.7**	**4.7**
JVs owned and controlled land bank (plots)	5,400	5,207
Strategic land (acres)	13,271	11,995
Land bank carrying value	3,112.3	3,071.6

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

During the year we delivered 2,929 (2019: 4,374) completions from strategically sourced land, and we converted 3,137 plots (2019: 7,915 plots) of strategic land into our owned and controlled land bank. Around 20% of our strategic land is allocated or included in draft local plans. We continue to target 30% of completions from strategic land in the medium term, which we believe is an appropriate level for our business.

Following our success with planning over the past 12 months we are well positioned, with all of our expected FY21 completions (2019: all of our FY20 completions).

Improving efficiency and reducing costs
Improving the efficiency of our operations and controlling costs whilst maintaining our focus on quality and customer satisfaction remains a key focus for the Group, as both will enhance our margin and improve business resilience. Our new housetype ranges maintain our high standards of design whilst being faster to build, helping us to reduce build cost and are more suitable for MMC. We delivered 60% of our completions, including JVs, outside London

from these ranges across the country in the year (2019: 36%). Of our outlets, including JVs, 79% (2019: 72%) now have the new product ranges.

Over the next few years, we would expect that c. 90% of our outlets would be suitable for our new product ranges equating to c. 85% of our completions. Our new housing ranges cover all segments of our market providing us with the flexibility to replan sites to suit market conditions and meet consumer demands should the need arise.

We continue to make further refinements to our housing ranges in response to the changing costs of certain trades and materials, without affecting our quality or design standards. As part of our continuous review process, we have introduced hipped roof designs to some of our standard housetypes, which reduce the amount of brickwork required, and optimised internal floor plans to achieve more usable living space from the same house footprint and increase profitability.

We have a robust and carefully managed supply chain with around 90% of the housebuild materials sourced by our centralised procurement function being manufactured or assembled in the UK. We are also improving construction efficiency and reducing demand on labour through implementing the new housetype ranges, which are easier and quicker to build, and through the use of MMC such as timber frames, large format block and light gauge steel frames.

We have fixed price agreements in place for 95% of these materials to December 2020 and 62% are fixed until June 2021.

We are currently seeing limited pressure on skilled labour supply given the impact of COVID-19 with any shortages being location and trade specific. 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. We anticipate inflation of between 1% and 2% in FY21 broadly in line with FY20.

Operating framework and capital structure

Our operating framework and appropriate capital structure has served us well over the last three years. The resilience they have created was demonstrated in FY20 given the unprecedented impact of COVID-19.

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 the business and term loans and bank debt fund the shorter term requirements for working capital.

Reflecting the changed economic and trading backdrop we have adjusted our operating framework to reflect our future dividend policy, include a new target range for land creditor usage and to introduce a target of minimal total indebtedness in the medium term. Our revised operating framework is as follows:

	New operating framework	**Positions at 30 June 2020 and 2019**
Land bank	c. 3.5 years owned and c. 1.0 year 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	Reduced to 25.4% (2019: 31.3%)
Net cash	Modest average net cash over the financial year	FY20 average net cash of £348.3m (2019: £298.3m)
	Year end net cash	2020: £308.2m (2019: £765.7m)
Total indebtedness (net cash and land creditors)	Minimal year end total indebtedness in the medium term	2020: total indebtedness of £483.7m (2019: total indebtedness of £195.0m)
Treasury	Appropriate financing facilities	£700m RCF extended to November 2024 £200m USPP maturing 2027
Dividend policy	2.5x dividend cover *(at the appropriate time)*	FY20 no dividend proposed (2019: 46.4p per share)

Our operating framework provides the strong financial foundation for our business:

- **Land bank:** our land bank framework is unchanged. 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 reflecting our focus on ROCE and our fast build and sell model. We are above this framework level, reflecting the decline in our completions. Through our focus on rebuilding completion volumes, we expect to gradually realign with our operating framework.

- **Land creditors:** following the reduction in land creditors to 25.4% of the land bank in FY20, and in order to reduce gearing and further strengthen our balance sheet, we have revised the targeted range of land creditor usage to a 15 - 25% range.

- **Net cash:** in order to preserve a resilient balance sheet, we continue to seek to maintain a modest average net cash position over the financial year.

- **Total indebtedness**: in order to strengthen our balance sheet further, in the medium term, we will target achieving a minimal total indebtedness at year end, where total indebtedness is the combination of net cash and land creditors.

- **Treasury:** we will continue to maintain an appropriate capital structure as part of our disciplined operating framework, with shareholders' funds and land creditors funding the longer term requirements of the business and with term loans and bank debt funding shorter term requirements for working capital.

- **Dividend policy:** when the Board believes the time is right it will implement a dividend policy based on a dividend cover of 2.5 times.

Pensions

The Group operates a funded defined benefit pension 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 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.

Over the years, the defined benefit section has been well funded due to the successful working relationship between the Trustee and the Company. During the course of FY20, both parties worked together to investigate options for insuring the defined benefit members' benefits with a UK-based insurance company, with the objective of ensuring the financial security of those benefits for the long term. After a detailed selection process, on 16 June 2020, the Trustees entered into a 'buy-in' using a bulk annuity insurance contract with an insurer in respect of the liabilities of the defined benefit scheme. The insurer will pay into the Scheme cash matching the benefits due to members.

The Company was supportive of the Trustee's investment decision as it reduces the risks in the Scheme and provides additional security for the benefits due to members of the Scheme.

The buy-in has resulted in a re-measurement of the Scheme's assets, with an actuarial loss of £69.2m recognised in the Group and Company Statement of Comprehensive Income. Following the buy-in there is a defined benefit asset of £3.5m on the Balance Sheet reflecting the remaining assets held by the Scheme.

Treasury

Relationships with banks and cash management are coordinated centrally as a Group function. This year our cash balances and bank overdrafts have been presented gross rather than net with no change in our net cash. The Board sets and approves Treasury Policy and Senior Management control day-to-day operations. The Treasury Policy is intended to maintain an appropriate capital structure and provide the right platform for the business to manage its operating risks. More detail on Treasury Policy is included in note 5.3 to the condensed consolidated financial statements.

Tax strategy

The Group recognises its broader social responsibilities to pay the right amount of tax at the right time. All of the profits of the Group are subject to full UK corporation tax and the tax charge for the year ended 30 June 2020 was £89.1m (2019: £170.4m).

The Group does not enter into business transactions which are for the sole purpose of reducing potential tax liabilities. The Group's tax strategy is to only take advantage of any available reliefs and exemptions which have

been set out in any current tax legislation to minimise its tax liabilities. The Group does not have a target effective tax rate. The rate for the year ended 30 June 2020 was 18.1% (2019: 18.7%) which is marginally lower (2019: lower) than the standard effective rate of tax of 19.0% (2019: 19.0%).

In a strong financial position entering FY21

During the year we have demonstrated financial discipline across our operations, showing the benefit of our clear, well embedded operating framework. We closed the year with a strong financial position comprising a substantial net cash balance and a well-capitalised balance sheet, positioning us well for FY21.

Jessica White
Chief Financial Officer
1 September 2020

Consolidated Income Statement

Year ended 30 June 2020

Continuing operations	Notes	2020 £m	2019[1] £m
Revenue	2.1	**3,419.2**	4,763.1
Cost of sales		**(2,804.9)**	(3,678.9)
Gross profit		**614.3**	1,084.2
Analysed as:			
Adjusted gross profit		**631.4**	1,087.4
Cost associated with legacy properties	2.2	**(39.9)**	(3.2)
CJRS grant income	2.2	**22.8**	–
Administrative expenses		**(124.5)**	(186.3)
Part-exchange income		**327.5**	341.1
Part-exchange expenses		**(323.9)**	(337.9)
Profit from operations	2.2	**493.4**	901.1
Analysed as:			
Adjusted operating profit		**507.3**	904.3
Cost associated with legacy properties	2.2	**(39.9)**	(3.2)
CJRS grant income	2.2	**26.0**	–
Finance income	5.2	**5.1**	7.1
Finance costs	5.2	**(35.0)**	(35.9)
Net finance costs	5.2	**(29.9)**	(28.8)
Share of post-tax profit from joint ventures		**28.3**	39.2
Analysed as:			
Adjusted share of post-tax profit from joint ventures		**28.3**	46.2
Cost associated with legacy properties	2.2	**–**	(7.0)
Loss on disposal of joint ventures		**–**	(1.7)
Profit before tax		**491.8**	909.8
Analysed as:			
Adjusted profit before tax		**505.7**	920.0
Cost associated with legacy properties	2.2	**(39.9)**	(10.2)
CJRS grant income	2.2	**26.0**	–
Tax	2.5	**(89.1)**	(170.4)
Profit for the year		**402.7**	739.4
Profit for the year attributable to the owners of the Company		**399.7**	740.0
Profit/(loss) for the year attributable to non-controlling interests		**3.0**	(0.6)
Earnings per share from continuing operations			
Basic	2.3	**39.4p**	73.2p
Diluted	2.3	**38.9p**	72.3p

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

Consolidated Statement of Comprehensive Income

Year ended 30 June 2020

		Group	
	Notes	**2020** **£m**	2019[1] £m
Profit for the year		**402.7**	739.4
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit pension scheme	**6.1**	**(69.2)**	(15.4)
Tax credit relating to items not reclassified		**13.1**	2.9
Total items that will not be reclassified to profit or loss		**(56.1)**	(12.5)
Total comprehensive income recognised for the year		**346.6**	726.9
Total comprehensive income recognised for the year attributable to the owners of the Company		**343.6**	727.5
Total comprehensive income/(expense) recognised for the year attributable to non-controlling interests		**3.0**	(0.6)

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

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 2018 as adjusted for changes in accounting policies[1]	101.3	232.6	1,109.0	(1.2)	18.0	3,126.0	3,142.8	7.5	4,593.2
Profit/(loss) for the year	–	–	–	–	–	740.0	740.0	(0.6)	739.4
Actuarial loss on pension scheme	–	–	–	–	–	(15.4)	(15.4)	–	(15.4)
Tax on items above taken directly to equity	–	–	–	–	–	2.9	2.9	–	2.9
Total comprehensive income/(expense) recognised for the year ended 30 June 2019	–	–	–	–	–	727.5	727.5	(0.6)	726.9
Dividend payments	–	–	–	–	–	(452.3)	(452.3)	–	(452.3)
Issue of shares	0.4	6.7	–	–	–	–	–	–	7.1
Share-based payments	–	–	–	–	14.1	–	14.1	–	14.1
Purchase of own shares	–	–	–	(21.7)	–	–	(21.7)	–	(21.7)
Transfers in respect of share options	–	–	–	7.8	(12.4)	4.7	0.1	–	0.1
Tax on share-based payments	–	–	–	–	1.2	0.4	1.6	–	1.6
At 30 June 2019[1]	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	**–**	**–**	**–**	**–**	**–**	**(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**

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. The adoption of IFRS 16 had no effect on the opening reserves at 1 July 2019. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

In the prior year, the Group's equity at 1 July 2018 was adjusted for the initial application of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers'.

Balance Sheet

At 30 June 2020

		Group		
	Notes	**2020** **£m**	2019[1] re-presented[2] £m	1 July 2018[1] re-presented[2] £m
Assets				
Non-current assets				
Other intangible assets		**101.1**	102.3	100.0
Goodwill	4.2	**805.9**	805.9	792.2
Property, plant and equipment		**19.0**	17.4	11.6
Right-of-use assets		**46.7**	–	–
Investments in joint ventures and associates		**152.1**	189.0	234.1
Retirement benefit assets	6.1	**3.5**	62.6	58.7
Secured loans		**1.0**	1.4	1.9
Trade and other receivables		**1.3**	1.5	3.1
		1,130.6	1,180.1	1,201.6
Current assets				
Inventories	3.1	**5,027.9**	4,824.3	4,516.7
Secured loans		**1.1**	1.2	0.3
Trade and other receivables		**84.9**	223.6	226.5
Cash and cash equivalents[2]	5.1	**619.8**	1,136.0	1,176.2
		5,733.7	6,185.1	5,919.7
Total assets		**6,864.3**	7,365.2	7,121.3
Liabilities				
Non-current liabilities				
Loans and borrowings	5.1	**(200.0)**	(200.0)	(191.1)
Trade and other payables		**(319.7)**	(413.5)	(566.3)
Lease liabilities		**(36.1)**	–	–
Deferred tax liabilities		**(2.4)**	(17.6)	(25.3)
		(558.2)	(631.1)	(782.7)
Current liabilities				
Loans and borrowings[2]	5.1	**(117.7)**	(177.7)	(193.8)
Trade and other payables		**(1,305.4)**	(1,587.9)	(1,465.8)
Lease liabilities		**(11.7)**	–	–
Current tax liabilities		**(2.8)**	(99.5)	(85.8)
Provisions	3.2	**(28.2)**	–	–
		(1,465.8)	(1,865.1)	(1,745.4)
Total liabilities		**(2,024.0)**	(2,496.2)	(2,528.1)
Net assets		**4,840.3**	4,869.0	4,593.2
Equity				
Share capital	5.4	**101.8**	101.7	101.3
Share premium		**245.2**	239.3	232.6
Merger reserve		**1,109.0**	1,109.0	1,109.0
Total retained earnings		**3,382.9**	3,412.1	3,142.8
Equity attributable to the owners of the Company		**4,838.9**	4,862.1	4,585.7
Non-controlling interests	4.1	**1.4**	6.9	7.5
Total equity		**4,840.3**	4,869.0	4,593.2

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

[2] The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4). There is no impact on the net assets of the Group.

Cash Flow Statement

Year ended 30 June 2020

		Group	
	Notes	**2020** **£m**	2019[1] re-presented[3] £m
Reconciliation of operating profit to cash flow from operating activities:			
Profit from operations		**493.4**	901.1
Depreciation of property, plant and equipment		**5.5**	4.3
Loss on disposal of property, plant and equipment		**0.4**	–
Depreciation of right-of-use assets[1]		**13.6**	–
Amortisation of intangible assets		**1.2**	–
Profit on disposal of subsidiary undertaking		**–**	(0.6)
Impairment/(reversal of impairment) of inventories	3.1	**8.2**	(14.8)
Profit on redemption of secured loans		**(0.4)**	(1.2)
Share-based payments charge		**6.8**	14.1
Imputed interest on deferred term payables[2]	5.2	**(19.9)**	(21.5)
Imputed interest on lease arrangements[1]	5.2	**(2.0)**	–
Amortisation of facility fees	5.2	**(2.3)**	(2.8)
Finance income related to employee benefits	5.2	**1.6**	2.0
Total non-cash items		**12.7**	(20.5)
Increase in inventories		**(211.8)**	(291.9)
Decrease/(increase) in receivables		**129.3**	(2.3)
Decrease in payables		**(373.8)**	(53.3)
Increase in provisions	3.2	**28.2**	-
Total movements in working capital and provisions		**(428.1)**	(347.5)
Interest paid		**(11.7)**	(11.6)
Tax paid		**(187.3)**	(160.2)
Net cash (outflow)/inflow from operating activities		**(121.0)**	361.3
Investing activities:			
Purchase of property, plant and equipment		**(7.5)**	(7.2)
Consideration, net of cash acquired, paid on acquisition of subsidiaries		**–**	(15.8)
Proceeds, net of cash disposed of, from the disposal of subsidiaries		**–**	4.6
Increase in amounts invested in entities accounted for using the equity method		**(31.2)**	(51.0)
Repayment of amounts invested in entities accounted for using the equity method		**72.2**	66.9
Dividends received from investments accounted for using the equity method		**24.2**	60.3
Proceeds from the disposal of investments accounted for using the equity method		**–**	18.6
Interest received		**3.5**	5.1
Net cash inflow from investing activities		**61.2**	81.5
Financing activities:			
Dividends paid to equity holders of the Company	2.4	**(373.2)**	(452.3)
Distribution made to non-controlling partner	4.1.1	**(8.5)**	–
Purchase of own shares		**(5.9)**	(21.7)
Proceeds from issue of share capital		**6.0**	7.1
Payment of dividend equivalents		**(0.7)**	–
Loan repayments[3]		**(60.0)**	(16.1)
Repayment of lease liabilities[1]		**(14.1)**	–
Net cash outflow from financing activities		**(456.4)**	(483.0)
Net decrease in cash and cash equivalents		**(516.2)**	(40.2)
Cash and cash equivalents at the beginning of the year[3]		**1,136.0**	1,176.2
Cash and cash equivalents at the end of the year[3]	5.1	**619.8**	1,136.0

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

[2] 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.

[3] The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4).

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 and accordingly should not be relied on by any other party or for any other purpose and the Company hereby disclaims any liability to any such other party or for reliance on such information for any such other purpose.

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

1.2 Basis of preparation

Whilst the financial information included in this Annual Results Announcement has been prepared in accordance with IFRS as issued by the IASB, IFRIC interpretations and SIC interpretations as adopted and endorsed by the EU, this announcement does not itself contain sufficient information to comply with IFRS. Full Financial Statements that comply with IFRS are included in the 2020 Annual Report and Accounts, which will be made available at www.barrattdevelopments.co.uk in September 2020.

The accounting policies adopted are consistent with those followed in the preparation of the Group's 2020 Annual Report and Accounts which have not changed from those adopted in the Group's 2019 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 secured loans, and share-based payments.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, actual results may ultimately differ from those estimates. The Directors have made no individual critical accounting judgements that have a significant impact upon the Financial Statements, apart from those involving estimations.

The most significant estimates made by the Directors in these condensed consolidated financial statements are:

- **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 is 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 across the development.

  The Group has reassessed its estimates on a site-by-site basis to incorporate the expected extension of site duration caused by COVID-19 and the adoption of COVID-19 safe working practices and protocols. On average, the Group estimates that site durations will increase by around six months, resulting in an additional allocation of £29.1m of site-wide development costs to homes sold in the

current year.

Management have performed a sensitivity analysis to assess the impact of a change in estimated costs for developments on which sales were recognised in the year. A 1% increase in estimated costs recognised in the year, 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 £22.9m, a reduction in gross margin of 70 bps.

- **Costs associated with legacy properties**

  Following the Grenfell tragedy, the Government issued a number of advice notes aimed at clarifying fire safety and building safety requirements. These have now been replaced by updated consolidated Government guidance published on 20 January 2020. The updated guidance applies to multi-storey, multi-occupied residential buildings.

  The Government has issued revised guidelines to Building Owners and those deemed the Responsible Person (normally the Management Company) to consider, as part of their fire risk assessments, the ability of any cladding system to prevent the spread of fire. As a result there has been more scrutiny of all materials used on building facades. The Group has undertaken a review of all of its current and legacy buildings where it has used cladding solutions. Approved Inspectors signed off all of our buildings, including the cladding used, as compliant with the relevant Building Regulations at the time of completion. In line with our commitment to put our customers first, we have incurred and accrued £11.4m of costs for work involved at legacy properties associated with removing and replacing cladding.

  We voluntarily undertook to pay for work to remove and replace ACM cladding on the Citiscape development in Croydon in 2019. This is a non-standard development which was designed for us in 2001 by a third-party structural engineering firm and was sold to the current freeholders in 2003. When the ACM cladding was removed, structural concerns were identified and we appointed independent structural engineers to undertake a full investigation of the building. These investigations have identified significant issues relating to the design of the building's reinforced concrete frame, requiring extensive remedial work.

  As a responsible developer, we appointed independent structural engineers to review all of the 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. The preliminary reviews of all 26 of these developments, the majority of which were designed over ten years ago, are complete and have not identified any issues as severe as those present at Citiscape. Engineers are now undertaking more detailed reviews to see if any remediation of the concrete frames is required. Those detailed reviews have so far shown that eleven developments have no defects while nine developments required some remedial action to address smaller-scale problems. At these developments, remedial action has either been successfully completed or is underway.

  We apologise unreservedly to affected customers that the standards that we set for ourselves and our partners were not met at these developments. While in most cases we have no legal liability to cover the costs of this work, in line with our commitment to customers and recognising the responsibility we have for the work of our partners, we have taken the decision to pay for the required remedial action which would otherwise fall on leaseholders. We are actively seeking to recover costs from third parties, however there is no certainty regarding the extent of any financial recovery. We have incurred £28.5m of costs relating to Citiscape and the associated review.

  Management have made estimates as to the future costs, to the extent of the remedial works required and the costs of providing alternative accommodation to those affected. The Financial Statements have been prepared based on currently available information, including known costs and quotations where possible. However, the detailed review is ongoing and therefore the extent and cost of any remedial work may change as this work progresses.

  Management have performed a sensitivity analysis to assess the impact of a change in their estimate of total costs. A 10% increase in estimated costs recognised in the year would impact cost of sales and would reduce the Group's gross margin by 20 bps.

- **Impairment of goodwill and indefinite life brands**

  The impairment review for the goodwill of the housebuilding business and the Group's indefinite life brand requires an estimation of the value-in-use of the housebuilding business. The value-in-use calculation requires an estimate of the expected future cash flows from the housebuilding business, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The sensitivity of the valuation of goodwill and brands to changes in expectations is set out in note 4.2.

COVID-19

The Group has exercised judgement in evaluating the impact of COVID-19 on the condensed consolidated financial statements. In addition to the key sources of estimation uncertainty, the areas where COVID-19 has been considered are:

- Going concern – see note 1.3
- Nature and carrying value of inventories – see note 3.1

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 2020, the Group held cash of £619.8m and total loans and borrowings of £317.7m, consisting of £117.7m 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 £308.2m 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. In addition, on 28 April 2020 the Group received confirmation that it was eligible to access funding under the CCFF until March 2021. Utilisation of the CCFF is not anticipated.

As such, in consideration of its net current assets of £4,267.9m, the Directors are satisfied that the Group has sufficient liquidity to meet its current liabilities and working capital requirements.

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.

COVID-19 has heightened the inherent uncertainty in the Group's assessment of these factors. Since the release from lockdown, UK housing market activity has shown a marked rebound and demand relative to supply remains strong. However, the outlook remains unclear: unemployment is expected to rise and market activity could be affected by an unfavourable outcome to negotiations regarding the UK's relationship with the EU or changes to the Government's Help to Buy scheme. The suspension of trading under COVID-19 has increased the Group's short term sensitivity to its RCF covenants. Future outbreaks of the disease may cause further disruption.

The Group's financial forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of signing of these condensed consolidated financial statements. This includes the implementation of COVID-19 safe working practices and market changes following revisions to the Help to Buy scheme.

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 sales volumes and average selling prices fall below their pre-COVID-19 levels by 25% and 10% respectively, construction costs increase by 5%, and that the Group temporarily closes its operations for two months in response to a national resurgence of the virus.

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 and the actions successfully deployed during the Group's closure of its operations in March 2020, without Government assistance. In all scenarios, including the reasonable worst case, the Group is able to comply with its financial covenants, operate within its current facilities without utilising the CCFF, 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 Application of accounting standards

During the year ended 30 June 2020 the Group has applied accounting policies and methods of computation consistent with those applied in the prior year except in respect of IFRS 8 'Operating Segments' and IAS 32 'Financial Instruments: Presentation'; and as amended by the adoption of new and revised standards including IFRS 16 'Leases'.

- **IFRS 8 'Operating segments':**

This standard requires disclosure of a segment's information if its revenue, profit or assets constitute 10% of the Group's total. In recent years, the Group's Commercial operating segment has consistently not met these criteria and its disclosure does not give useful information to investors concerning the value and risks of the Group. Therefore it is no longer disclosed separately.

- **IAS 32 'Financial Instruments: Presentation':**

The Group's cash balances and bank overdrafts are subject to cash pooling arrangements. In accordance with IAS 32: 'Financial Instruments: Presentation', cash balances are presented gross within cash and cash equivalents and bank overdrafts are presented gross within current loans and other borrowings. In prior periods, these amounts were presented net in cash and cash equivalents. For presentational purposes, the balances have been re-presented as at 30 June 2019 and 1 July 2018. The impact of this change is to increase both cash and cash equivalents and bank overdrafts within current loans and other borrowings as at 30 June 2019 by £177.7m and as at 1 July 2018 by £193.8m in the Group's Balance Sheet. This has had no impact on net cash or net assets.

During the year the Group has adopted the following new and revised standards and interpretations:

- **IFRS 16 'Leases':**

This standard became effective for accounting periods beginning on or after 1 January 2019 and was applicable to the Group for the year beginning on 1 July 2019, replacing IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'. The Group has applied IFRS 16 using the modified retrospective approach, under which any cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Comparative information has not, therefore, been restated and is reported under previous accounting policies.

IFRS 16 specifies how leases are recognised, measured and disclosed.

The Group has elected to apply the practical expedient in respect of the assessment of transactions as leases. Contracts not previously assessed as leases under IAS 17 were not reassessed.

The Group as a lessee

Prior to the application of IFRS 16 the Group's property and equipment leases were classified as operating leases. Under IFRS 16 right-of-use assets and lease liabilities are recognised in the Balance Sheet. At transition, lease liabilities were measured at the present value of remaining lease payments, discounted at incremental borrowing rates which ranged between 1% and 6% at 1 July 2019. Incremental borrowing rates were calculated based upon risk free UK government bond rates adjusted for the average term of each lease portfolio and Group specific spread adjustments. Lease liabilities are re-measured when the Group changes its assessment of whether it will exercise a termination or extension option. Right-of-use assets are initially measured at cost comprising the initial measure of the lease liability plus any direct costs less any lease incentives. Subsequently, right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

The following practical expedients were used when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- a single discount rate is applied to portfolios of leases with similar properties
- the exemptions not to recognise right-of-use assets and liabilities for leases with a low-value underlying asset or a lease term of less than 12 months are applied
- initial direct costs were excluded from measurement of the right-of-use asset at the date of initial application
- hindsight was used in determining the lease term

The Group as lessor

The Group is not required to make any adjustments on transition to IFRS 16.

Information on the impact of the adoption of IFRS 16 on the financial statements is provided in note 1.5.

There has been no impact on the Financial Statements as a result of:

- **IFRIC 23 'Uncertainty over Income Tax Treatments';**
- **Amendments to IFRS 9 'Prepayment Features with Negative Compensation';**
- **Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures';**
- **Annual Improvements to IFRS Standards 2015-2017 Cycle; and**
- **Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement'.**

1.5 Impact of changes in accounting policies

On transition to IFRS 16 the Group recognised £55.4m of right-of-use assets, £55.0m of lease liabilities and £0.4m of accruals.

The table below presents a reconciliation from operating lease commitments disclosed at 30 June 2019 to lease liabilities recognised at 1 July 2019.

	Group £m
Operating lease commitments disclosed under IAS 17 as at 30 June 2019	**58.3**
Effect of discounting	**(10.4)**
Other adjustments including adjustments for short term leases and hindsight adjustments	**7.1**
Lease liabilities recognised at 1 July 2019	**55.0**

The Group has elected to adopt IFRS 16 using the modified retrospective approach, under which any cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Comparative

information has not been restated. The following tables summarise the impact of the adoption of IFRS 16 on the Income Statement, Balance Sheet and Cash Flow Statement.

			Group
	Year ended 30 June 2020 as reported	Adjustments in respect of the adoption of IFRS 16	Year ended 30 June 2020 before adjustments for the adoption of IFRS 16
Impact on Consolidated Income Statement:	**£m**	£m	£m
Revenue	**3,419.2**	–	3,419.2
Cost of sales	**(2,804.9)**	0.5	(2,805.4)
Gross profit	**614.3**	0.5	613.8
Administrative expenses	**(124.5)**	0.8	(125.3)
Part-exchange income	**327.5**	–	327.5
Part-exchange expenses	**(323.9)**	–	(323.9)
Profit from operations	**493.4**	1.3	492.1
Finance income	**5.1**	–	5.1
Finance costs	**(35.0)**	(2.0)	(33.0)
Net finance costs	**(29.9)**	(2.0)	(27.9)
Share of post-tax profit from joint ventures	**28.3**	–	28.3
Profit before tax	**491.8**	(0.7)	492.5
Tax	**(89.1)**	0.1	(89.2)
Profit for the year	**402.7**	(0.6)	403.3
Earnings per share from continuing operations			
Basic	**39.4p**	(0.1p)	39.5p
Diluted	**38.9p**	–	38.9p

			Group
Impact on Consolidated Balance Sheet:	**As at 30 June 2020 as reported £m**	Adjustments in respect of the adoption of IFRS 16 £m	As at 30 June 2020 before adjustments for the adoption of IFRS 16 £m
Assets			
Non-current assets			
Right-of-use assets	**46.7**	46.7	–
Other non-current assets per Balance Sheet	**1,083.9**	–	1,083.9
	1,130.6	46.7	1,083.9
Current assets	**5,733.7**	–	5,733.7
Total assets	**6,864.3**	46.7	6,817.6
Liabilities			
Non-current liabilities			
Lease liabilities	**(36.1)**	(36.1)	–
Other non-current liabilities	**(522.1)**	–	(522.1)
	(558.2)	(36.1)	(522.1)
Current liabilities			
Lease liabilities	**(11.7)**	(11.7)	–
Other current liabilities	**(1,454.1)**	0.5	(1,454.6)
	(1,465.8)	(11.2)	(1,454.6)

	Group		
	As at 30 June 2020 as reported	Adjustments in respect of the adoption of IFRS 16	As at 30 June 2020 before adjustments for the adoption of IFRS 16
Total liabilities	**(2,024.0)**	(47.3)	(1,976.7)
Net assets	**4,840.3**	(0.6)	4,840.9
Equity			
Retained earnings	**3,382.9**	(0.6)	3,383.5
Other reserves and capital	**1,456.0**	–	1,456.0
Non-controlling interests	**1.4**	–	1.4
Total equity	**4,840.3**	(0.6)	4,840.9

	Group		
Impact on Consolidated Cash Flow Statement:	**Year ended 30 June 2020 as reported £m**	Adjustments in respect of the adoption of IFRS 16 £m	Year ended 30 June 2020 before adjustments for the adoption of IFRS 16 £m
Profit from operations	**493.4**	1.3	492.1
Depreciation of right-of-use assets	**13.6**	13.6	–
Imputed interest on lease arrangements	**(2.0)**	(2.0)	–
Other non-cash items	**1.1**	–	1.1
Total non-cash items	**12.7**	11.6	1.1
Increase in inventories	**(211.8)**	–	(211.8)
Movement in payables and receivables	**(244.5)**	1.2	(245.7)
Increase in provisions	**28.2**	-	28.2
Total movements in working capital and provisions	**(428.1)**	1.2	(429.3)
Interest paid	**(11.7)**	–	(11.7)
Tax paid	**(187.3)**	–	(187.3)
Net cash (outflow)/inflow from operating activities	**(121.0)**	14.1	(135.1)
Net cash inflow from investing activities	**61.2**	–	61.2
Repayment of lease liabilities	**(14.1)**	(14.1)	–
Other financing activities	**(442.3)**	–	(442.3)
Net cash outflow from financing activities	**(456.4)**	(14.1)	(442.3)
Net decrease in cash and cash equivalents	**(516.2)**	–	(516.2)
Cash and cash equivalents at the beginning of the year[1]	**1,136.0**	–	1,136.0
Cash and cash equivalents at the end of the year	**619.8**	–	619.8

[1] The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4).

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	
	2020 number	2019 number	**2020 £m**	2019 £m
Revenue from private residential sales	**9,568**	13,533	**2,971.5**	4,222.6
Revenue from affordable residential sales	**2,466**	3,578	**402.0**	473.1
Other revenue including commercial sales	**–**	–	**45.7**	67.4
	12,034	17,111	**3,419.2**	4,763.1

[1] Residential completions exclude JV completions of 570 homes (2019: 745) in which the Group has an interest.

2.2 Profit from operations

2.2.1 Cost of sales

In response to the COVID-19 pandemic, the Group took the decision to temporarily close its sales centres, construction sites and offices during the year and implemented extensive working practices and protocols to enable a safe return to operations. Included within cost of sales are £45.2m (2019: £nil) of non-productive site overheads and safety costs incurred during the controlled closure and restart of our sites that would ordinarily be capitalised as work in progress including £25.4m of employee costs. Additional site-wide development costs arising from extensions in site durations of £29.1m (2019: £nil) have been allocated to homes sold in the current year in line with the Group's margin recognition policy, more detail of which is included note 1.2.

Cost of sales is presented net of £22.8m in Government grant income received in respect of the CJRS (2019: £nil).

2.2.2 Government grants and assistance

During the year the Group recognised CJRS grant income from the Government designed to mitigate the impact of COVID-19. Amounts receivable during the year are disclosed below. No Government grants were receivable or received during 2019.

	2020 Amounts receivable and received £m
Grant income in respect of the CJRS included in cost of sales	**22.8**
Grant income in respect of the CJRS included in administrative expenses	**3.2**
	26.0

At 30 June 2020, receivables in respect of the CJRS of £4.4m (2019: £nil) were included in other receivables.

On 6 July 2020 the Group announced that it would return all Government grants received in respect of the CJRS. These grants have been repaid since the balance sheet date (see note 7.3).

2.2.3 Adjusted items

Cost associated with legacy properties:

During the year, charges of £39.9m were recognised in respect of costs associated with legacy properties (2019: £6.9m charged in respect of costs associated with legacy properties and £3.7m released following the disposal of a legacy property). These amounts have been separately disclosed as adjusted items in the Income Statement. Further details are provided in note 3.2. No charge (2019: £7.0m) was recognised in adjusted items in the year in respect of costs associated with legacy JV

properties.

CJRS grant income:

During the year, the Group recognised grant income of £26.0m in respect of the UK Government's CJRS (2019: £nil). This was a one-off, temporary Scheme, from which the income has been voluntarily refunded by the Group after the balance sheet date. No income in respect of CJRS will be recognised in future periods. It has therefore been presented as an adjusted item. Further information regarding the repayment of the grant is included in note 7.3.

2.3 Earnings per share

The earnings per share from continuing operations were as follows:

	2020 pence	2019[1] pence
Basic earnings per share	**39.4**	73.2
Diluted earnings per share	**38.9**	72.3

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

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

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Parent 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.

	2020	2019[1]
Profit attributable to ordinary shareholders of the Parent Company (£m)	**399.7**	740.0
Weighted average number of shares in issue (million)	**1,018.2**	1,014.2
Weighted average number of shares in EBT (million)	**(4.3)**	(3.8)
Weighted average number of shares for basic earnings per share (million)	**1,013.9**	1,010.4
Weighted average number of shares in issue (million)	**1,018.2**	1,014.2
Adjustment to assume conversion of all potentially dilutive shares (million)	**10.0**	10.0
Weighted average number of shares for diluted earnings per share (million)	**1,028.2**	1,024.2

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

2.4 Dividends

	2020 £m	2019 £m
Amounts recognised as distributions to equity shareholders in the year:		
Final dividend for the year ended 30 June 2019 of 19.5p (2018: 17.9p) per share	**197.8**	180.6
Special dividend for the year ended 30 June 2019 of 17.3p (2018: 17.3p) per share	**175.4**	174.6
Interim dividend for the year ended 30 June 2020 of nil (2019: 9.6p) per share	**–**	97.1
Total dividends distributed to equity shareholders in the year	**373.2**	452.3

	2020 £m	2019 £m
Proposed final dividend for the year ended 30 June 2020 of nil (2019: 19.5p) per share	**–**	197.1
Proposed special dividend for the year ended 30 June 2020 of nil (2019: 17.3p) per share	**–**	175.0

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% (2019: 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% (2019: between 17.0% and 19.0%) of the temporary differences giving rise to these assets and liabilities, dependent upon when they are expected to reverse.

2.5.1 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

	2020 £m	2019 £m
Current tax:		
UK corporation tax for the year	**100.0**	176.3
Adjustment in respect of previous years	**(7.4)**	(1.7)
	92.6	174.6
Deferred tax:		
Origination and reversal of temporary differences	**(3.1)**	(5.0)
Adjustment in respect of previous years	**(1.5)**	0.2
Impact of change in corporation tax rate	**1.1**	0.6
	(3.5)	(4.2)
Tax charge for the year	**89.1**	170.4

Factors affecting the tax charge for the year

The tax rate assessed for the year is lower (2019: lower) than the standard effective rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are explained below:

	2020 £m	2019 £m
Profit before tax	**491.8**	909.8
Profit before tax multiplied by the standard rate of corporation tax of 19.0% (2019: 19.0%)	**93.4**	172.9
Effects of:		
Other items including non-deductible expenses	**4.8**	0.5
Additional tax relief for land remediation costs	**(1.3)**	(2.0)
Adjustment in respect of previous years	**(8.9)**	(1.5)
Adjustment for post-tax profits of certain JVs included in Group profit before tax	**–**	(0.1)
Impact of change in tax rate on deferred tax liability	**1.1**	0.6
Tax charge for the year	**89.1**	170.4

Legislation was substantively enacted during the year to repeal the reduction of the main corporation tax rate, thereby maintaining 19.0% throughout the financial year. Accordingly, the rate change includes the re-measurement of opening temporary differences to 19.0% where these were previously measured at between 17.0% and 19.0% depending on the timing of expected reversal.

Completion volumes were significantly reduced by the Group's decision to pause activity in response to COVID-19, reducing profit before tax for the financial year. Adjustments in respect of previous years reflect the latest estimates and assumptions and truing up to final corporation tax computations. The proportional impact of those adjustments has a greater impact on this year's effective tax rate due to the lower profit before tax.

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 £13.3m (2019: £4.5m credit) was recognised directly in equity.

Section 3 – Working capital

3.1 Inventories

	Group	
	2020 £m	2019 £m
Land held for development	**3,112.3**	3,071.6
Construction work in progress	**1,852.4**	1,632.8
Part-exchange properties and other inventories	**63.2**	119.9
	5,027.9	4,824.3

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 2020 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 £18.8m (2019: £5.5m) and gross impairment reversals of £10.6m (2019: £20.3m), resulting in a net impairment of £8.2m (2019: £14.8m reversal) 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 effects of COVID-19 have been considered and the expected extension in the time period required to trade through each site has increased site 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 2020 and included in cost of sales was £2,511.9m (2019: £3,502.7m), of which £29.1m in the current year relates to the incremental costs of extensions in site durations due to the adoption of COVID-19 safety practices.

3.2 Provisions

	Group		
	Legacy properties - cladding £m	**Legacy properties – Citiscape and related review £m**	**Total £m**
At 1 July 2019	–	–	–
Additions to provisions in the year	**11.4**	**28.5**	**39.9**
Utilisation in the year	**–**	**(11.7)**	**(11.7)**
At 30 June 2020	**11.4**	**16.8**	**28.2**

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
Movement in non-controlling interest share of net assets recognised in the Consolidated Balance Sheet	**2020 £m**	2019 £m
At 1 July	**6.9**	7.5
Distribution of profits to non-controlling partner	**(8.5)**	–
Share of profit/(loss) for the year recognised in the Consolidated Income Statement	**3.0**	(0.6)
At 30 June	**1.4**	6.9

4.2 Goodwill

		Group
	2020 £m	2019 £m
Cost		
At 1 July	**830.4**	816.7
Arising on acquisition during the year	**–**	13.7
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

During the prior year the Group acquired all of the share capital of Oregon Timber Frame Limited. Goodwill arising on the acquisition of £13.7m was capitalised and allocated to the Group's housebuilding business.

The Group's goodwill relating to the acquisition of Wilson Bowden Limited in 2007 has a carrying value of £792.2m 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 June 2020 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 business. The first year of cash flows were determined using the Group's approved detailed site-by-site forecast. The cash flows for the second to the 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.

COVID-19 has heightened the inherent uncertainty in the prospects for the wider UK economy and housing market in the medium term. 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 for the first year dependent upon local market conditions and product type. For years two to five, these have been estimated at a Group level

based upon past experience and expectations of future changes in the market, taking into account external market forecasts.

- Sales volumes: these are determined on a site-by-site basis for the first year dependent upon local market conditions, land availability and planning permissions. For years two to five, 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.
- Expected changes in site costs to complete: these are determined on a site-by-site basis for the first year dependent upon the expected costs of completing all aspects of each individual development. For years two to five, 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 and risks appropriate to the Group's housebuilding business. In the prior year, uncertainty in the Group's cash flows was reflected through an adjustment to the discount rate. In response to COVID-19, Management have reflected future economic uncertainty in the risk-adjusted cash flows, giving a more accurate representation of the risks specific to the Group. As this risk has been reflected in the underlying cash flows, no adjustment has been made to the discount rate. Accordingly, a rate of 10.0% (2019: 15.2%) is considered by the Directors to be the appropriate pre-tax discount rate.
- Probability of variance in assumptions: Management consider the assumptions applied in the Group's forecast to represent the most likely outcomes. To reflect ongoing uncertainty, heightened by COVID-19, the likelihood that actual performance will differ from assumptions has been estimated at a Group level with reference to external market forecasts and the Group's current trading performance. A change in the assigned probabilities changes the weighting of the scenarios in the calculation of the expected cash flows.

The result of the value-in-use exercise concluded that the recoverable value of goodwill and intangible assets exceeded its carrying value by £1,182.5m (2019: £2,095.6m) and there has been no impairment. The fall in headroom is due to a reduction in forecast completions following COVID-19.

If the value-in-use is determined using only the reasonable worst case cash flows, a full impairment of goodwill and indefinite life brands is required. The sensitivity of the recoverable amount of goodwill to changes in the discount rate and the probabilities of the occurrence of adverse scenarios is shown below.

	+100 bps			-100 bps			
Variable	**Change in value £m**	**Change in value %**	**Revised headroom £m**	**Change in value £m**	**Change in value %**	**Revised headroom £m**	**Change required to reduce headroom to £nil**
Discount rate	(664.0)	(11.1%)	518.5	830.6	13.9%	2,013.0	2.0%
Probability of adverse scenarios	(117.5)	(2.0%)	1,065.0	117.5	2.0%	1,300.0	10.1%

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	**2020** **£m**	2019 Re-presented[1] £m
Cash and cash equivalents[1]	**5.1.1**	**619.8**	1,136.0
Drawn debt			
Borrowings:			
Sterling US private placement notes		**(200.0)**	(200.0)
Bank overdrafts[1]		**(117.7)**	(177.7)
Total borrowings being total drawn debt		**(317.7)**	(377.7)
Prepaid fees		**6.1**	7.4
Net cash		**308.2**	765.7
Total borrowings at 30 June are analysed as:			
Non-current borrowings		**(200.0)**	(200.0)
Current borrowings[1]		**(117.7)**	(177.7)
Total borrowings being total drawn debt[1]		**(317.7)**	(377.7)

[1] The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4). There is no impact on net cash.

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

		Group
	2020 **£m**	2019 re-presented[1] £m
Net decrease in cash and cash equivalents[1]	**(516.2)**	(40.2)
Repayment/(drawdown) of borrowings:		
Loan repayments[1]	**60.0**	16.1
Other movements in borrowings:		
Movement in prepaid fees	**(1.3)**	(1.5)
Movement in net cash in the year	**(457.5)**	(25.6)
Opening net cash	**765.7**	791.3
Closing net cash	**308.2**	765.7

[1] The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4) and as a result the movements reported in the prior year have been amended.

5.1.1 Cash and cash equivalents

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

5.1.2 Borrowings and facilities

All debt facilities at 30 June 2020 are unsecured.

The principal features of the Group's committed debt facilities at 30 June 2020 and 30 June 2019 were

as follows:

	Facility	Amount drawn		Maturity
		30 June 2020	30 June 2019	
Committed facilities:				
RCF	£700.0m	**–**	–	22 November 2024[1]
Fixed rate sterling USPP notes	£200.0m	**£200.0m**	£200.0m	22 August 2027

[1] On 22 November 2019, the Group's £700.0m RCF was amended and extended from November 2023 to November 2024.

In addition, on 28 April 2020 the Group received confirmation that it was eligible to access funding under the CCFF until March 2021 should that be required.

The Group also uses various bank overdrafts and uncommitted borrowing facilities that are subject to floating interest rates linked to the UK bank rate and LIBOR as applicable. Publication of LIBOR is expected to cease before the end of 2021, after which floating interest rates currently linked to LIBOR will be transitioned to an appropriate alternative reference rate under the existing agreements.

Weighted average interest rates are disclosed in note 5.2.

5.2 Net finance costs

Recognised in the Consolidated Income Statement:

	Notes	**2020 £m**	2019 £m
Finance income			
Finance income on short term bank deposits		**(3.0)**	(2.8)
Finance income related to employee benefits	**6.1**	**(1.6)**	(2.0)
Other interest receivable		**(0.5)**	(2.3)
		(5.1)	(7.1)
Finance costs			
Interest on loans and borrowings		**9.5**	9.7
Imputed interest on deferred term payables		**19.9**	21.5
Finance charges on leased assets[1]		**2.0**	-
Amortisation of facility fees		**2.3**	2.8
Other interest payable		**1.3**	1.9
		35.0	35.9
Net finance costs		**29.9**	28.8

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

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

	Group	
	2020 %	2019 %
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. In response to the potential impact of COVID-19 on the Group's forecast cash flows, the Group applied for, and has received confirmation that it is eligible to access funding under the CCFF until March 2021 should that be required. The Group's drawn debt, excluding fees, re-presented 35.3% (2019: 42.0% (re-presented - see note 1.4)) of available committed facilities at 30 June 2020. In addition, the Group had £619.8m (2019: £1,136.0m (re-presented - see note 1.4)) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2020. The Group's resilience to its principal risks, including potential impacts resulting from COVID-19, 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 2020, the average maturity of the Group's committed facilities was 5.0 years (2019: 5.2 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	**2020 £m**	2019 £m
In more than two years but not more than five years	**700.0**	700.0

On 28 April 2020 the Group received confirmation that it was eligible to access funding under the CCFF until March 2021 should that be required.

In addition, the Group had undrawn uncommitted overdraft facilities available at 30 June 2020 of £55.0m (2019: £95.0m).

5.3.2 Market risk (price risk)

5.3.2.1 Interest rate risk

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

The Group has a conservative treasury risk management strategy and the Group's interest rates are 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
2020				
Financial liability exposure to interest rate risk	-	**200.0**	**1,410.6**	**1,610.6**
2019				
Financial liability exposure to interest rate risk[1]	-	200.0	1,808.8	2,008.8

[1] The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4).

Floating interest rates on sterling borrowings are linked to the UK bank rate, LIBOR and money market rates. The floating rates are fixed in advance for periods generally ranging from one to six months. Short term flexibility is achieved through the use of overdraft, committed and uncommitted bank facilities. The Group retained a strong cash position throughout the year and therefore the use of floating rate facilities was minimal. The weighted average interest rate for floating rate borrowings in 2020 was 1.7% (2019: 2.0%).

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 2020, if UK interest rates had been 0.5% higher/lower (considered to be a reasonably possible change) and all other variables were held constant, the Group's pre-tax profit would increase/decrease by £2.6m (2019: £2.2m), the Group's post-tax profit would increase/decrease by £2.1m (2019: £1.8m) and as such the Group's equity would increase/decrease by £2.1m (2019: £1.8m).

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 £12.0m (2019: £77.6m) due from Homes England in respect of the Help to Buy scheme. Since this receivable is due from a UK Government agency, the Group considers that this receivable has an insignificant risk of default. In addition the Group has £619.8m (2019: £1,136.0m (re-presented see note 1.4)) on deposit with seven financial institutions. As a result of the pension scheme buy-in (note 6.1) the Group is exposed to credit risk associated with the insurer which is assessed to be low. 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 2020 was £100.7m (2019: £158.3m) of cash on deposit with a financial institution. The carrying amount of financial assets recorded in the condensed consolidated financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

5.3.4 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, loan notes and bank loans) and its private placement notes as other financial liabilities. The Group is subject to the prevailing conditions of the UK economy and the quantum of the Group's earnings is dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including the impact of COVID-19, 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, including

its mitigating actions in response to COVID-19 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 Group cancelled payment of the 2020 interim dividend and no final dividend or special cash payments will be made in respect of the year ended 30 June 2020. The Group also suspended land buying activity and carefully managed its operational cash flows. In addition, on 28 April 2020 the Group received confirmation that it was eligible to access funding under the CCFF until March 2021 should that be required.

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

5.4 Share capital

5.4.1 Ordinary share capital

Allotted and issued ordinary shares	**2020 £m**	2019 £m
10p each fully paid: 1,018,302,400 (2019: 1,016,985,862) ordinary shares	**101.8**	101.7

Options over the Company's shares granted during the year	**2020 Number**	2019 Number
LTPP	**2,629,027**	2,940,565
Sharesave	**3,142,874**	1,673,444
DBP	**583,505**	644,386
ELTIP	**1,254,200**	1,221,120
	7,609,606	6,479,515

Allotment of shares during the year	**2020 Number**	2019 Number
At 1 July	**1,016,985,862**	1,012,722,682
Issued to satisfy early exercises under Sharesave schemes	**39,215**	39,090
Issued to satisfy exercises under matured Sharesave schemes	**1,277,323**	1,524,090
Issued to the EBT to satisfy future exercises	**–**	2,700,000
At 30 June	**1,018,302,400**	1,016,985,862

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.

	2020	2019
Ordinary shares in the Company held in the EBT (number)	**4,708,806**	6,172,255
Cost of shares held in the EBT	**£20.1m**	£15.1m
Market value of shares held in the EBT at 495.9p (2019: 572.6p) per share	**£23.4m**	£35.3m

During the year the EBT purchased 1,174,900 (2019: 4,000,000) shares in the market and disposed of 111,851 (2019: 58,801) shares in settlement of exercises under the SMSOP 2009/10; and 2,526,498 (2019: 1,400,549) shares were used to satisfy the vesting of the 2016 LTPP and the 2016 DBP. No shares (2019: 2,700,000 shares) were issued to the EBT at par.

Section 6 – Directors and employees

6.1 Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

6.1.1 Defined contribution schemes

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

	2020 **£m**	2019 £m
Contributions during the year		
Group defined contribution schemes' Consolidated Income Statement charge	**13.6**	11.5

At the balance sheet date, there were outstanding contributions of £2.0m (2019: £2.0m), which were paid on or before the due date.

6.1.2 Defined benefit scheme

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

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

On 16 June 2020, the Trustees entered into a bulk annuity insurance contract with an insurer in respect of the liabilities of the defined benefit scheme. This type of deal is also known as a 'buy-in'. The insurer will pay into the Scheme cash matching the benefits due to members. The Trustees are of the opinion that this investment decision is appropriate, reduces the risks in the Scheme and provides additional security for the benefits due to members of the Scheme. The Trustees retain the legal obligation for the benefits provided under the Scheme.

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 has therefore been set equal to the liabilities covered. An additional liability has been recognised in respect of GMP equalisation, where a small premium will be paid to the insurer once the process of equalisation has been completed.

The buy-in has resulted in a re-measurement of the scheme's assets, with a re-measurement loss of £69.2m recognised in the Group Statement of Comprehensive Income.

The Scheme previously exposed the Group to a number of risks. As a result of the buy-in these risks have been reduced and at the balance sheet date the principal risk is the credit risk associated with the insurer which is assessed to be low.

For the purposes of calculating the accounting costs and obligations of the Scheme, the assets of the Scheme were previously calculated at fair (bid) value. In the current year they are 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	**2020**	2019
Weighted average assumptions to determine benefit obligations		
Discount rate	**1.58%**	2.31%
Pensions-in-payment increase rate	**2.94%**	3.17%
Rate of price inflation	**3.08%**	3.38%
Weighted average assumptions to determine net cost		
Discount rate	**2.31%**	2.91%
Pensions-in-payment increase rate	**3.17%**	3.08%
Rate of price inflation	**3.38%**	3.30%

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

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

Assumptions	**Male**	**Female**
Retired member born in 1955 (life expectancy at age 65)	22.7 years	24.3 years
Non-retired member born in 1975 (life expectancy at age 65)	23.9 years	25.5 years

The base mortality assumptions are based on the SAPS SP3MA/S2PFA_M (2019: S2PA) mortality tables with an adjustment to allow for the Scheme members being treated as if they are 1.5 years younger than the population of the S2PA mortality tables. Allowance for future increases in life expectancy is made in line with the CMI 2019 projections with a long term trend of 1.25% per annum (2019: CMI 2018 projections with a long term trend of 1.25% per annum).

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

		Increase/(decrease) in Scheme liabilities	
Assumptions	**Change in assumption**	**£m**	**%**
Discount rate	Increase of 0.25%	(19.2)	(4.5)
	Increase of 0.50%	(37.2)	(8.7)
Rate of inflation	Increase of 0.25%	9.3	2.2
	Increase of 0.50%	19.0	4.5
Life expectancy	Increase by 1 year	20.7	4.9

The changes in the actuarial assumptions used in the calculation of sensitivities were selected on the basis that they provide a range of reasonably possible changes.

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

	2020 £m	2019 £m
Past service cost	**–**	(1.7)
Interest cost	**(8.9)**	(10.1)
Interest income	**10.5**	12.1
Total pension income recognised in net finance costs in the Consolidated Income Statement	**1.6**	2.0
Total pension income recognised in the Consolidated Income Statement	**1.6**	0.3

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

	2020 £m	2019 £m
Expected return less actual return on Scheme assets	**(29.6)**	28.8
Loss arising from changes in the assumptions underlying the present value of benefit obligations	**(39.6)**	(44.2)
Total pension re-measurements recognised in the Group Statement of Comprehensive Income	**(69.2)**	(15.4)

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

	2020 £m	2019 £m
Net asset for defined benefit obligations at 1 July	**62.6**	58.7
Contributions paid to the Scheme	**8.5**	19.0
Income recognised in the Consolidated Income Statement	**1.6**	0.3
Amounts recognised in the Group Statement of Comprehensive Income	**(69.2)**	(15.4)
Surplus for funded Scheme/net asset recognised in the Group Balance Sheet at 30 June	**3.5**	62.6
Analysed as: Present value of funded obligations	**(425.8)**	(393.9)
Fair value of Scheme assets	**429.3**	456.5

A deferred tax liability of £0.7m (2019: £11.6m) has been recognised in the Group Balance Sheet in relation to the pension asset.

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

	2020 £m	2019 £m
Present value of defined benefit obligations at 1 July	**393.9**	357.3
Past service cost	**–**	1.7
Interest cost	**8.9**	10.1
Actuarial loss	**39.6**	44.2
Benefits paid from Scheme	**(16.6)**	(19.4)
Present value of defined benefit obligations at 30 June	**425.8**	393.9

The maturity profile of these obligations at 30 June 2020 was as follows:

Expected total benefit payments:	**2020 £m**
Within one year	**17.2**
Between one and two years	**17.8**
Between two and five years	**57.2**
Between five and ten years	**109.6**

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

	2020 £m	2019 £m
Fair value of Scheme assets at 1 July	**456.5**	416.0
Interest income	**10.5**	12.1
Actuarial (loss)/gain on Scheme assets	**(29.6)**	28.8
Employer contributions	**8.5**	19.0
Benefits paid from Scheme	**(16.6)**	(19.4)
Fair value of Scheme assets at 30 June	**429.3**	456.5

The analysis of Scheme assets was as follows:

	2020 £m	2020 %	2019 £m	2019 %
Quoted equity securities	**–**	**–**	67.4	14.8
Debt securities	**–**	**–**	380.7	83.4
Assets held by insurance company	**425.8**	**99.2**	–	–
Cash	**3.5**	**0.8**	8.4	1.8
Total	**429.3**	**100.0**	456.5	100.0

The fair values of the Scheme assets in the above table are measured in accordance with level 2 as defined in note 5.3.3 of the Annual Report and Accounts.

The actual return on Scheme assets was as follows:

	2020 £m	2019 £m
Actual return on Scheme assets	**(19.1)**	40.9

The expected employer contribution to the Scheme in the year ending 30 June 2021 is £nil.

Section 7 – Contingencies, related parties and principal risks

7.1 Contingent liabilities

7.1.1 Contingent liabilities related to subsidiaries

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

In the normal course of business, the Group has given counter-indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £399.1m (2019: £444.8m), 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.

Cladding

As disclosed in note 1.2, the Group has undertaken a review of all of its current and legacy buildings where it has used cladding solutions. Approved Inspectors signed off all of our buildings, including the cladding used, as compliant with the relevant Building Regulations at the time of completion.

We recognise that the retrospective review of building materials continues to evolve. The Financial Statements have been prepared based on currently available information; however, the costs of the removal and replacement of cladding may change as building works progress. In addition, further changes to Building Regulations and Fire Safety Regulations are currently in the consultation phase and revised requirements may alter the current position.

Structural issues

As disclosed in note 1.2, following the issues identified at Citiscape, the Group is conducting a review of developments where reinforced concrete frames have been designed by either the same original engineering firm which designed Citiscape, or by other companies within the group of companies which has since acquired it. The 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 no costs associated with these remedial works are 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 and associates

The Group has given counter-indemnities in respect of performance bonds and financial guarantees to its JVs totalling £10.4m at 30 June 2020 (2019: £12.5m).

At 30 June 2020, the Group no longer has an obligation to repay grant monies received by a JV upon certain future disposals of land (2019: £0.9m).

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. These guarantees have been reviewed in the light of COVID-19, and at 30 June 2020 the probability of any loss to the Group resulting from these guarantees is considered to be remote.

There are no contingent liabilities in relation to associates at 30 June 2020 or 30 June 2019.

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 Remuneration of key personnel

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

Disclosures related to the remuneration of key personnel as defined in IAS 24 will be provided in note 6.1 of the 2020 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 2020.

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	
	2020 £m	2019 £m
Transactions between the Company and its subsidiaries during the year:		
Charges in respect of management and other services provided to subsidiaries	**67.2**	82.7
Net interest paid by the Company on net loans from subsidiaries	**5.0**	4.1
Dividends received from subsidiary undertakings	**519.3**	593.6
Balances at 30 June:		
Amounts due by the Company to subsidiary undertakings	**19.3**	334.3
Amounts due to the Company from subsidiary undertakings	**395.5**	76.3

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	
	2020 £m	2019 £m
Transactions between the Group and its JVs during the year:		
Charges in respect of development management and other services provided to JVs	**5.6**	8.4
Interest charges in respect of funding provided to JVs	**0.5**	2.2
Dividends received from JVs	**24.2**	60.3
Balances at 30 June:		
Funding loans and interest due from JVs net of impairment	**81.9**	64.4
Other amounts due from JVs	**15.7**	19.8
Loans and other amounts due to JVs	**(0.9)**	(1.8)

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.

7.2.4 Transactions between the Group and its associate

The amount of outstanding loans due to the Group from its associate at 30 June 2020 was £nil (2019: £nil). There were no other amounts outstanding to the Group from its associate as at 30 June 2020.

7.3 Post balance sheet events

Structural issues

As disclosed in note 1.2, following the issues identified at Citiscape, the Group is conducting a review of developments where reinforced concrete frames have been designed by either the same original engineering firm which designed Citiscape, or by other companies within the group of companies which has since acquired it.

The detailed reviews of these developments is ongoing. We apologise unreservedly to affected customers that the standards that we set for ourselves and our partners were not met at these developments. While in most cases we have no legal liability, in line with our commitment to put our customers first we will ensure that no costs associated with these remedial works are borne by leaseholders. After the year end, the Group has committed to undertake remedial work at additional developments.

Based on our current assessments, it is estimated that the total future costs, in addition to those costs recognised in FY20 and prior, will be £48.0m. This is for the required remedial programme at Citiscape, the review itself, and any remediation required at other buildings. We are actively seeking to recover costs from third parties, however there is no certainty regarding the extent of any financial recovery. No adjustments have been made to these Financial Statements in respect of these costs.

Coronavirus Job Retention Scheme

During the year the Group utilised the Government's CJRS. The Group recognised £26.0m of funding under this scheme in the Income Statement in the financial year. The furlough scheme provided welcome and timely support but on 6 July 2020 the Group announced that because of the resilience of the Group's financial position it would return all the furlough funds received. These funds were returned in August 2020. Given the timing of the decision to repay the CJRS, there was no liability recognised at 30 June and the costs will be recognised and treated as an adjusted item in the year ending 30 June 2021.

7.4 Statutory accounts

The condensed consolidated financial statements for the year ended 30 June 2020 have been approved by the Directors and prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), International Financial Reporting

Interpretations Committee ('IFRIC') interpretations and Standing Interpretations Committee ('SIC') interpretations as adopted and endorsed by the European Union ('EU').

Barratt Developments PLC's 2020 Annual Report and Accounts will be made available to shareholders and published on its website www.barrattdevelopments.co.uk in September 2020. The financial information set out herein does not constitute the Company's statutory accounts for the year ended 30 June 2020 (as defined in Sections 434 and 436 of the Companies Act 2006) but is derived from the 2020 Annual Report and Accounts and the accounts contained therein. Statutory accounts for 2020 will be delivered to the Registrar of Companies prior to the Company's Annual General Meeting which will be held on 14 October 2020. 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 2019 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 2019 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

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

COVID-19 presents a risk to the health and safety of our employees, sub-contractors and customers. The Group prioritises health and safety and has implemented COVID-19 working practices and protocols in line with the latest guidance from the Government, Public Health Authorities and the Construction Leadership Council.

In addition, the pandemic has heightened the Group's other principal risks: it has required the Group to quickly adapt to a new working environment, involving changes to construction methods and IT systems, coupled with economic uncertainty and challenges for our supply chain. As the pandemic has evolved, the Board has reassessed its impact on principal risks. In addition, a 'bottom-up' evaluation was completed to ensure a comprehensive consideration of the risks to the business. Additional mitigating actions have been implemented where necessary.

There is an overarching risk of a significant unexpected event, such as the COVID-19 pandemic, having a material impact on the business, manifesting through the Group's principal risks. Our business has an established action plan for significant unexpected events, the effectiveness of which has been demonstrated by our response to COVID-19 this year.

The principal risks are set out in the table below, including the impact of COVID-19 and the mitigating actions adopted in response. In addition to its principal risks, the Group has identified climate change and social trends as emerging risks.

Risk	**A** **Economic environment, including housing demand and mortgage availability**	**B** **Land availability**	**C** **Government regulation and planning policy**	**D** **Joint ventures and consortia**	**E** **Construction**
Risk level net of mitigation	High risk	Medium risk	Medium risk	Low risk	High risk
Risk appetite	Medium risk	Medium risk	Medium risk	Medium risk	Low risk
Link to strategic priorities	Customer first	Great places	Great places	Great places	Leading construction

Change in risk level from previous year	No change	No change	No change	No change	Increase
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 customers' needs will lead to reduced volumes and affect our ability to provide profitable growth.	The inability to secure sufficient consented land and strategic land options at appropriate cost and quality in the right locations which enhance communities. Securing favourable sites that meet our margin and site ROCE hurdle rates will enable volume growth.	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 planning permissions on new sites will enable the Group to deliver disciplined volume growth at our target margins.	The Group can facilitate large or complex developments through joint ventures or consortia arrangements, allowing the provision of housing in particular areas of need by sharing risk and capital requirements. Securing more JV sites that meet our hurdle rates enables disciplined volume growth, but the arrangements may be complex and capital intensive.	Failure to achieve excellence in construction, through delays from adverse conditions, a failure to identify cost overruns promptly, design and construction defects, and deviation from environmental standards. Delays or deficiencies in construction could increase costs, expose the Group to liabilities, and result in poor product quality, reduce selling prices and sales volumes. Inefficiency and competitive disadvantage from a failure to develop and implement new and innovative construction methods.
Responsibility	Executive Committee	Land Committee	Operations Committee	Operations Committee	Operations Committee
Current status of risk	COVID-19 and the ongoing requirement for social distancing has disrupted the UK economy and greatly heightened uncertainty over employment levels in the short and medium term. Future developments of the virus or an unfavourable outcome to negotiations regarding the UK's relationship with the EU could cause further economic disruption. From April 2021, the Government's Help to Buy scheme will be subject to regional caps and restricted to first time buyers. The scheme is due	The Group temporarily suspended land purchasing between March and August 2020. The temporary closure of construction sites and sales centres due to COVID-19 reduced sales volumes and cash inflows. Our land bank is sufficient to meet current operational needs.	The Government continues to reiterate its commitment to facilitating the provision of new homes, but the planning process remains lengthy and complex. Changes to Building Regulations, such as the Future Homes Standard effective in 2025, will increase design requirements.	Our investment in JVs is £152.1m (2019: £189.0m) a reduction from the previous year. The temporary closure of our construction sites and sales centres as a result of COVID-19 also affected our JV and consortium sites.	The temporary closure of construction sites during the year caused a delay to construction. Sites are now operating COVID-19 working practices and protocols in line with the latest Government and industry guidance to ensure the safety of our employees and sub-contractors. This has increased costs and is expected to increase site duration. The Group continues to increase its use of MMC to address skilled employee shortages and reduce its environmental impact.

	to end in March 2023.				
Response/ mitigation	• Continual monitoring of the market at a Board, Executive Committee, regional and divisional level, leading to amendments in the Group's forecasts and planning as necessary. • Assessed likely market impact of COVID-19. • Comprehensive sales policies and regular review of pricing, local markets and developing good working relationships with mortgage lenders. • Quarterly site valuations based on the latest market data. • Maintenance of an appropriate capital structure and balance sheet control. • Planning for the end of the transition period for the UK's exit from the EU and adapting business operations as necessary. • Development of alternative strategies to drive sales following the announced changes to Help to Buy.	• All potential land acquisitions are subject to formal appraisal and approval by the Land Committee. • Group, regional and divisional review of land currently owned, committed and identified against requirements. • 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. • Increased usage of strategic land.	• 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 requirements. • 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.	• Continual communication with our JV and consortia partners concerning the impact of COVID-19 on trading arrangements and contractual requirements. • All potential JVs are subject to formal appraisal and approval by the Group's Land Committee and the Board. • Once operational, the performance of JVs and consortia are subject to regular review.	• Programme of site inspections to ensure protection of sites during lockdown. • Review of revised construction delivery against expected sales rates. • 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 ensure compliance with all building and other regulations. • 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. • Technologies new to us go through a rigorous testing and analysis process before full implementation.
Key risk indicators	Gross and operating margins, PBT, ROCE, EPS,	Land approvals (plots)	Gross and operating margins, PBT, ROCE, EPS,	ROCE, total home completions	Customer service, total home completions, gross margin, operating margin, PBT, ROCE, EPS,

	TSR, total home completions		TSR, total home completions		construction waste intensity and carbon intensity reduction

Risk	F **Availability of raw materials, sub-contractors and suppliers**	G **Safety, health and environment**	H **Attracting and retaining high-calibre employees**	I **Availability of finance and working capital**	J **IT**
Risk level net of mitigation	High risk	High risk	Medium risk	Medium risk	Medium risk
Risk appetite	Low risk	Low risk	Medium risk	Low risk	Low risk
Link to strategic priorities	Leading construction	Investing in our people	Investing in our people	Underpinning all priorities	Underpinning all priorities
Change in risk level from previous year	Increase	Increase	Decrease	Increase	No change
Risk description	Shortages or increased costs of materials and skilled labour, the failure of a key supplier or the inability to secure supplies on appropriate credit terms. Maintaining sufficient material and skilled sub-contractor availability will enable disciplined growth in the provision of high-quality homes. Failure to do so may lead to increased costs and delays in construction	Health and safety or environmental breaches can result in incidents affecting employees, sub-contractors and site visitors and undermine the creation of a great place to work. SHE breaches affect the wellbeing of our employees and could result in reputational damage, criminal prosecution and civil litigation, and delays in construction or increased costs.	Failure to recruit and/or retain the best people so that both our employees and the business can benefit from the available development opportunities. Development of skilled employees is critical to delivery of the Group's strategy of profit and volume growth through quality and efficiency.	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.	The Group continues to integrate its IT systems to enhance control and drive efficiency. The failure of any of these systems, in particular 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.
Responsibility	Operations Committee	Safety, Health and Environment Operating Committee	Executive Committee	Treasury Committee	Technology Risk Sub-committee
Current status of risk	The COVID-19 pandemic has increased pressure on the availability of certain build materials in the short term, with potential for further disruption if further outbreaks occur. There also continues to be	The Group continues to focus on health and safety ensuring consistent controls are in place to reduce accidents and injuries. The Group IIR rate for the year is 256 (2019: 297) per 100,000	Whilst competitiveness for employees in the operational business continues, this has reduced due to the current economic uncertainty. The pandemic has necessitated a wide change in working practices.	In November 2019 the Group extended its £700m RCF until 2024 with the option to extend this further by one year. In addition, the Group holds £200m of fixed rate USPP notes that mature in 2027. The temporary closure of construction sites	Wherever possible, the Group has facilitated home working for its employees, prioritising their safety during the pandemic. This has necessitated the adoption of new and changes to existing IT systems. Whilst

	a shortage of skilled labour in the housebuilding industry, which may be affected by an unfavourable outcome to the negotiations regarding the trading relationship between the UK and EU. Around 10% of the Group's materials, by spend, are imported and a further 30%, by spend, contain some imported components.	persons employed (including sub-contractors). The Group has acted to minimise the risk to its employees, sub-contractors and customers of contracting COVID-19 whilst at work, incurring additional cost. The pandemic and the workplace changes it has required present a challenge to the physical, mental and financial wellbeing of employees.		and sales centres in the year in response to the COVID-19 pandemic significantly reduced cash inflows to the Group. The Group actively managed its cash flows with average net cash for the year of £348.3m and net assets of £4,840.3m as at 30 June 2020.	presenting an initial challenge, this has also encouraged the improvement of the Group's IT environment. The threat of external cyber attacks and phishing attempts persists with a number of high profile incidents being reported in the media during the year.
Response/ Mitigation	• Secured supply continuity for all supplies with high potential to be disrupted by COVID-19. • 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 subcontractor materials, ensuring consistent quality and cost. • Development of long-term supplier and sub-contractor partnerships with all significant supply agreements fixed in advance, usually for 12 months. • Key supplier audit	• Sites and sales centres are operating under a detailed set of social distancing and hygiene practices and protocols in line with the latest Government guidance. • 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 units, and regular Senior Management reviews of developments. • Continued reinforcement of Group SHE policies and procedures. • Dedicated SHE Board and SHE Operations	• Comprehensive human resources programme including apprenticeships, a graduate development programme, succession planning and training academies tailored to each discipline. • Ongoing monitoring of employee turnover and absence statistics and feedback from exit interviews. • Annual employee engagement survey to measure employee satisfaction. • Remuneration benchmarking against industry competitors. • Maintained normal pay for furloughed employees and committed to paying those who are required to shield. When schools closed, all employees with childcare	• Committed bank facilities and private placement notes of around £900m with maturity on the RCF in 2024 and the USPP in 2027. • Increased frequency of monitoring of working capital and cash requirements and compliance with banking covenants. • Obtained confirmation of eligibility for CCFF until March 2021, should it be required. • Policy requiring minimum headroom of £150m of drawings against committed facilities. • Maintenance of an appropriate capital structure. • Assessed the medium and long-term viability of the business model.	• Centrally maintained IT systems. • Fully tested disaster recovery programme. • Regular reviews to seek to reduce the risk of successful cyber-attacks. • 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.

	programme to assess risks to the reliability of supply continuity. • Requirement to develop multiple supplier relationships for both labour contracts and material supplies, with contingency plans should any key supplier fail. • Control of build and material costs throughout build programmes. • All key suppliers have confirmed that they have plans in place to seek to minimise disruption on the UK's exit from the EU.	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. • Partnered with benefit providers to offer additional online training to support the wellbeing of employees during the COVID-19 lockdown, including on their mental health and working from home.	responsibilities were granted one week of special paid leave to enable them to make necessary arrangements. Additional paid leave provided to non-furloughed employees.		
Key risk indicators	Customer service, gross and operating margin, PBT, ROCE, EPS, TSR, total home completions	Health and safety (SHE audit compliance)	Employee engagement score	Average net cash	Customer service, gross and operating margin, PBT, ROCE, EPS

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 2020, which will be available to shareholders and published on its website www.barrattdevelopments.co.uk in September 2020.

Financial Statements and accounting records

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the Group Financial Statements under IFRS as adopted by the EU and have also elected to prepare the Parent Company Financial Statements in accordance with IFRS. The Financial Statements are also required by law to be properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation. Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period.

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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fair, balanced and understandable

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

Directors' responsibility statement

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

a) the Group and Parent Company Financial Statements in the Annual Report and Accounts, which have been prepared in accordance with IFRS, SIC interpretations as adopted and endorsed by the EU, IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and

b) the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

David Thomas
Chief Executive
1 September 2020

Jessica White
Chief Financial Officer
1 September 2020

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. Definitions, and reconciliations of the financial APMs used to IFRS measures, are included below:

Gross margin is defined as gross profit divided by revenue:

	2020	2019[1]
Revenue per Condensed Consolidated Income Statement (£m)	**3,419.2**	4,763.1
Gross profit per Condensed Consolidated Income Statement (£m)	**614.3**	1,084.2
Gross margin	**18.0%**	22.8%

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

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

	2020	2019[1]
Revenue per Condensed Consolidated Income Statement (£m)	**3,419.2**	4,763.1
Adjusted gross profit per Condensed Consolidated Income Statement (£m)	**631.4**	1,087.4
Adjusted gross margin	**18.5%**	22.8%

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

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

	2020	2019[1]
Revenue per Condensed Consolidated Income Statement (£m)	**3,419.2**	4,763.1
Profit from operations per Condensed Consolidated Income Statement (£m)	**493.4**	901.1
Operating margin	**14.4%**	18.9%

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

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

	2020	2019[1]
Revenue per Condensed Consolidated Income Statement (£m)	**3,419.2**	4,763.1
Adjusted profit from operations per Condensed Consolidated Income Statement (£m)	**507.3**	904.3
Adjusted operating margin	**14.8%**	19.0%

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

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 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:

	2020 **£m**	2019[1] £m
Profit from operations	**493.4**	901.1
Amortisation of intangible assets	**1.2**	–
Cost associated with legacy properties	**39.9**	3.2
CJRS grant income	**(26.0)**	–
Defined benefit past service cost	**–**	1.7
Share of post-tax profit from JVs and associates including loss on disposal of JVs	**28.3**	37.5
Earnings before amortisation, interest, tax, adjusted items and defined benefit scheme charges	**536.8**	943.5

	30 June 2020 **£m**	31 December 2019 £m	30 June 2019[1] £m	31 December 2018 £m	30 June 2018 £m
Group net assets per Condensed Consolidated Balance Sheet	**4,840.3**	4,849.1	4,869.0	4,551.7	4,597.7
Less:					
Other intangible assets per Condensed Consolidated Balance Sheet	**(101.1)**	(101.7)	(102.3)	(100.0)	(100.0)
Goodwill per Condensed Consolidated Balance Sheet	**(805.9)**	(805.9)	(805.9)	(792.2)	(792.2)
Current tax liabilities/(assets)	**2.8**	(0.4)	99.5	84.3	85.8
Deferred tax liabilities	**2.4**	16.2	17.6	21.5	25.3
Retirement benefit assets	**(3.5)**	(68.6)	(62.6)	(53.1)	(58.7)
Cash and cash equivalents[2]	**(619.8)**	(826.0)	(1,136.0)	(844.5)	(1,176.2)
Loans and borrowings[2]	**317.7**	399.3	377.7	465.4	384.9
Prepaid fees	**(6.1)**	(7.1)	(7.4)	(8.6)	-
Capital employed	**3,626.8**	3,454.9	3,249.6	3,324.5	2,966.6
Three point average capital employed	**3,443.8**		3,180.2		3,000.3

	2020	2019[1]
Earnings before interest, tax, adjusted items and defined benefit scheme charges (from table above) (£m)	**536.8**	943.5
Three point average capital employed (from table above) (£m)	**3,443.8**	3,180.2
ROCE	**15.6%**	29.7%

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

[2] The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4).

Total gearing including land creditors is defined as land creditors and net debt/cash divided by net tangible assets:

	2020	2019[1]
Net cash (£m)	**(308.2)**	(765.7)
Land creditors (£m)	**791.9**	960.7
	483.7	195.0
Net assets (£m)	**4,840.3**	4,869.0
Less goodwill and other intangible assets (£m)	**(907.0)**	(908.2)
	3,933.3	3,960.8
Total gearing including land creditors	**12.3%**	4.9%

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

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
Active Outlet	A site with at least one plot for sale
AGM	Annual General Meeting
AIMCH	Advanced Industrialised Methods for the Construction of Homes
APM	Alternative performance measure
ASP	Average selling price
Building Regulations	The requirements relating to the erection and extension of buildings under UK Law
Capital employed	Average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, prepaid fees, retirement benefit assets/obligations and derivative financial instruments
CCFF	COVID Corporate Financing Facility
CDP	Carbon Disclosure Project
CJRS	Coronavirus Job Retention Scheme
CMI	The actuarial profession's Continuous Mortality Investigation
the Company	Barratt Developments PLC
COVID-19	Coronavirus Disease 2019
DBP	Deferred Bonus Plan
EBT	Barratt Developments Employee Benefit Trust
ELTIP	Employee Long Term Incentive Plan
EPS	Earnings per share
EU	European Union
FRC	Financial Reporting Council
FY	Financial year ended 30 June
GDPR	General Data Protection Regulation
GMP	Guaranteed Minimum Pension
the Group	Barratt Developments PLC and its subsidiary undertakings
Gross margin	Gross profit divided by total revenue
HBF	Home Builders Federation
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISDA	International Swaps and Derivatives Association
JVs	Joint ventures
KPI	Key performance indicator
LIBOR	The London Interbank Offered Rate
LTPP	Long Term Performance Plan
LTV	Loan to Value
MHCLG	Ministry of Housing, Communities and Local Government
MMC	Modern methods of construction
Net cash	Cash and cash equivalents, bank overdrafts, prepaid fees, interest bearing borrowings and foreign exchange swaps
Net tangible assets	Group net assets less other intangible assets and goodwill
New Code	UK Corporate Governance Code issued in July 2018 (a copy of which is available from www.frc.org.uk)

NHBC	National House Building Council
NHS	National Health Service
Non-recurring items	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
Operating margin	Profit from operations divided by revenue
Oregon	Oregon Timber Frame Limited and its subsidiary Oregon Contract Management Limited
PBT	Profit before tax
PYEP	Prior year equivalent period
RBLI	Royal British Legion Industries
RCF	Revolving Credit Facility
ROCE	Earnings before amortisation, interest, tax, operating charges relating to the defined benefit pension scheme and operating adjusting or exceptional items, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, prepaid fees, retirement benefit assets/obligations and derivative financial instruments
SAPS	Self-Administered Pension Scheme
the 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, work in progress and equity share
SMSOP	Senior Management Share Option Plan
TCFD	The Task Force for Climate-related Financial Disclosures
Total completions	Unless otherwise stated total completions quoted include JVs
Total gearing including land creditors	Land creditors and net debt/cash divided by net tangible assets
TSR	Total shareholder return
USPP	United States Private Placement
WIP	Work in progress