



BARRATT

DEVELOPMENTS PLC

Annual Report and Accounts 2022



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

We are proud to lead the industry in both build quality and customer service. We are building the energy efficient and sustainable homes Britain needs, creating jobs and supporting economic growth whilst delivering value for our shareholders and other stakeholders.

Read more on our [purpose and strategic priorities](#) on page 3.

Non-financial information statement

The information below is intended to help stakeholders understand our position on these key non-financial matters. We have considered these non-financial matters and disclosed in the relevant sections, when determining what information should be included in the Annual Report and Accounts, the information needs of different stakeholders and their relative importance as well as the relevant time horizons in each matter. The following complies with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006.

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Our fourth integrated report

We are committed to being a sustainable and responsible business. This is demonstrated in this integrated annual report. Our focus is the connection of economic, environmental, social and governance matters to create and preserve long-term value for all our stakeholders.

For a detailed description of our approach to integrated reporting, go to the Appendix on page 202.

Notice regarding limitations on Directors' liability under English law

Under the Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in, and omissions from, the Strategic Report contained on pages 2 to 73 and the Directors' Report contained on pages 74 to 127. Under English Law, the Directors would be liable to the Company (but not to any third party) if the Strategic Report and/or the Directors' Report contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Strategic Report and Directors' Report

Pages 2 to 73 inclusive, and the Non-financial information statement here, comprise the Strategic Report, and pages 74 to 127 inclusive comprise the Directors' Report, both of which have been drawn up and presented in accordance with, and in reliance on, English Company Law. The liabilities of the Directors in connection with the reports shall be subject to the limitations and restrictions provided by such law.

Cautionary statement regarding forward-looking statements

The Group's reports, including this document and written information released, or oral statements made, to the public in future by or on behalf of the Group, may contain forward-looking statements. Although the Group believes that its expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different. Nothing contained in this Annual Report or on the Group's website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

Alternative performance measures

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 on pages 195 to 197. The definition of net cash is included in Note 19 of the Financial Statements.

Our highlights

Our operational and sustainability highlights

5 star
HBF 5 STAR CUSTOMER SATISFACTION (FY21: 5 star)

97%
HEALTH & SAFETY (SHE AUDIT COMPLIANCE) (FY21: 97%)

17,908
TOTAL HOME COMPLETIONS¹ (FY21: 17,243)

332
AVERAGE ACTIVE SALES OUTLETS² (FY21: 343)

1.53
CARBON INTENSITY³ (FY21: 1.78)

4.97
WASTE INTENSITY³ (FY21: 5.89)

79.4%
EMPLOYEE ENGAGEMENT SCORE (FY21: 84.2%)

4.7
LAND BANK YEARS (FY21: 4.7)

Our financial highlights

24.8%
ADJUSTED GROSS MARGIN (FY21: 23.2%)

17.1%
GROSS MARGIN (FY21: 21.0%)

£1,054.8M
ADJUSTED PROFIT BEFORE TAX (FY21: £919.7m)

£642.3M
PROFIT BEFORE TAX (FY21: £812.2m)

83.0p
ADJUSTED BASIC EPS (FY21: 73.5p)

50.6p
BASIC EPS (FY21: 64.9p)

£1,138.6M
YEAR END NET CASH (FY21: £1,317.4m)

30.0%
ROCE⁴ (FY21: 27.8%)

¹ Total home completions, including JVs, were 17,908 (FY21: 17,243) for the year. Private wholly owned home completions were 13,327 (FY21: 13,134), affordable home completions were 3,835 (FY21: 3,383) and JV home completions, in which the Group has an interest, were 746 (FY21: 726).

² Including JV active sales outlets.

³ Carbon and waste intensity are measured in tonnes relative to 100m² of legally completed build area in the financial year.

⁴ The definition of capital employed has been updated. See page 198.

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Front cover: Saviours Place
Our Barratt product at Saviours Place, Warrington

Our business in summary

OUR HOMES

We are committed to building high-quality energy-efficient homes and have been awarded 98 NHBC Pride in the Job Awards – more than any other housebuilder – for 18 consecutive years.

OUR CUSTOMERS

We put our customers first, at the heart of everything we do, throughout their home-buying journey, with a long-standing commitment to service.

OUR BRANDS

Housebuilding



Commercial developments

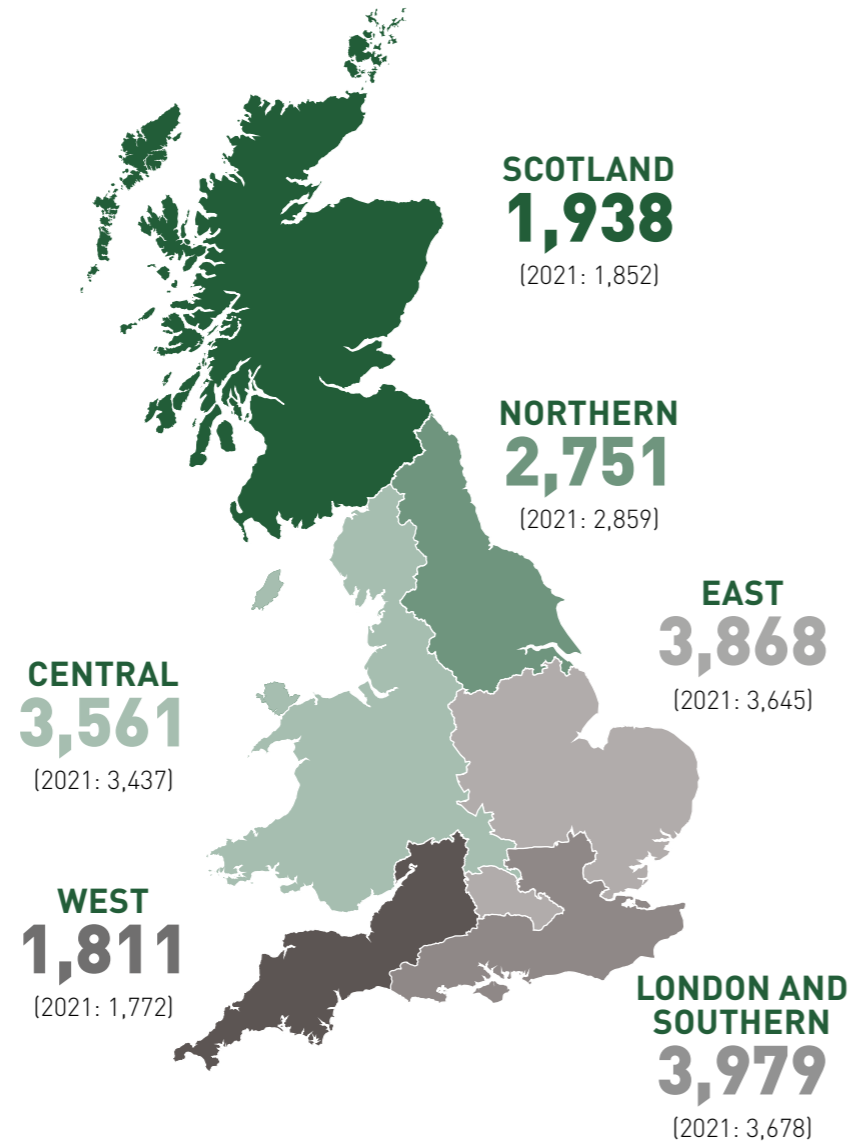


Land promotion

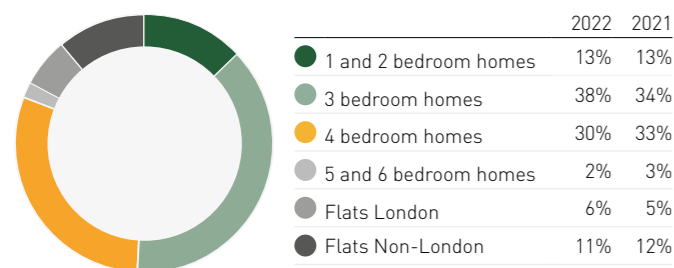


Our home completions (including JVs)

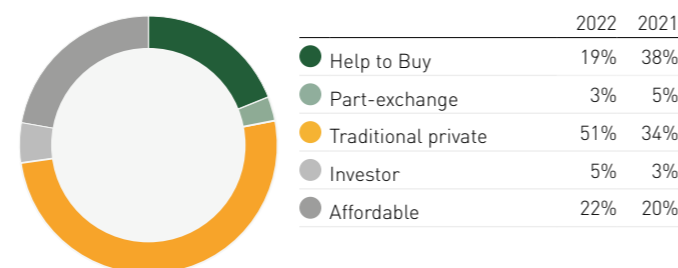
Developing high quality homes across Britain where people want to live.



Completions by unit type



Completions by deal type



Our purpose and ambitions

Our purpose

To lead the future of housebuilding by putting customers at the heart of everything we do

We will achieve our purpose by continually innovating and applying best practice across our four strategic priorities

Our Strategic Priorities



Customer first

We put customers at the heart of everything we do.

We deliver customer satisfaction through building high quality, energy efficient and sustainable homes.

Read more on pages 24 to 25



Great places

We build long-term relationships to secure attractive land opportunities where people aspire to live.

Through great design and planning expertise, we aim to create sustainable developments for communities, delivering positive legacies for the economy, environment, and mental health and wellbeing.

Read more on pages 26 to 27



Leading construction

We seek to deliver the highest quality homes by focusing on excellence across each stage of construction.

We work to ensure security of supply, minimise waste and reduce emissions by working with our supply chain partners, increasing the use of MMC and adopting new technologies.

Read more on pages 28 to 29



Investing in our people

People are at the heart of our business and we aim to attract and retain the best by investing in their development and success.

We have established apprenticeship and degree apprenticeship schemes to attract the next generation to our industry.

We seek to encourage an open and honest culture, where diversity and inclusion are embraced and valued.

Read more on pages 30 to 33

Guiding all of our actions are our principles, through which we create a more successful and sustainable business to deliver long-term value for our shareholders, partners, communities and society

Our principles



Keeping people safe

Putting health and safety first by committing to the highest industry standards. Embedding health and safety as a core value for which we are all responsible.



Being a trusted partner

Building meaningful, long-term relationships that make us the developer of choice for our partners. Innovating with our supply chain to drive efficiency and sustainability, whilst meeting our customers' needs.



Building strong community relationships

Engaging fully with local communities and customers when creating our developments. Ensuring we create places where our customers aspire to live and local communities thrive.



Safeguarding the environment

Minimising the environmental impact of our operations and supply chain while increasing the energy and resource efficiency of our homes. Seeking to enhance habitats, biodiversity and local environments across all of our developments.

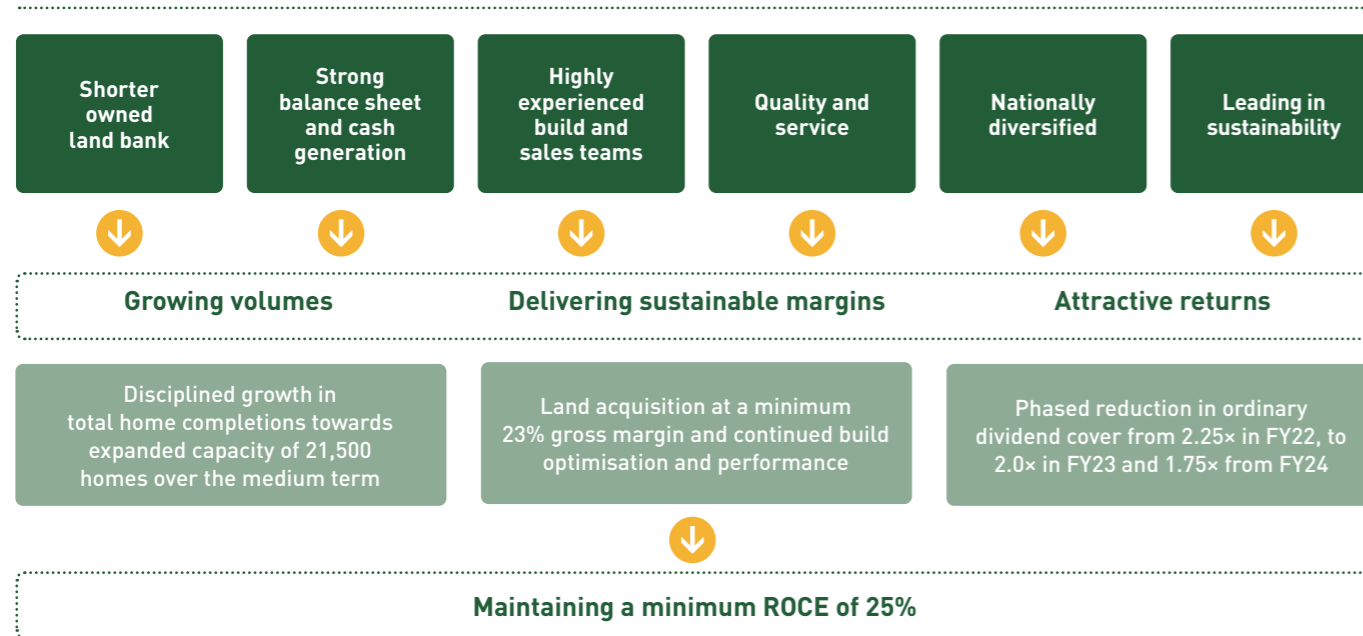


Ensuring the financial health of the business

We maintain financial discipline across all aspects of our operations. This enables us to deliver our operational targets whilst maintaining our industry-leading standards of customer service and build quality.

We uphold these principles through our culture (see page 80) and the sustainability commitments we make to our stakeholders (see page 20)

Our investment proposition



We have clear differentiators, which underpin our investment proposition:

- We operate an efficient 'build and sell' model and aim to run one of the shortest land banks in the industry.
- We maintain a resilient balance sheet with a clearly defined operating framework and a strong focus on cash generation.
- We have an experienced workforce and a long established and committed sub-contractor base who deliver our quality homes.
- Build quality and customer service are fundamental to our business. We are the only major housebuilder to be awarded a HBF 5 Star rating for customer satisfaction for 13 consecutive years.
- We operate throughout Britain, geographically diversifying our business activities and helping to manage risk.
- We are the leading national sustainable housebuilder, and our ambitious targets will help us to transition to a low carbon economy and support associated employment growth.
- During the year, our investment proposition has been augmented by:
- The acquisition of Gladman Developments, enhancing our land supply channels; the opening of two new divisions in Sheffield and Anglia; and the development of an additional timber frame manufacturing facility near Derby, which will become operational in FY24;
- The Board's decision to revise the Group's ordinary dividend policy, implementing a phased reduction in dividend cover of 0.25x per annum, from 2.5x in FY21 to 1.75x in FY24; and
- The commencement of a £200m share buyback programme to return surplus net cash to shareholders.

OUR AWARDS



5 Star award for 13 consecutive years. Only major national housebuilder to achieve this record.



Sustainable Housebuilder of the Year 2021



NextGeneration 2021
2021 Gold award and the highest scoring national housebuilder 2021 Crystal award for transparency in sustainability disclosure



98 awards in 2022. More than any other housebuilder for 18 consecutive years.

Key performance indicators

Non-financial

| Target | Status | Definition | Why we measure |
|--|--|--|---|
| Customer service | | | |
| HBF 5 Star customer satisfaction. | TARGET MET | The percentage of homebuyers who would recommend us to family and friends taken from the HBF Homebuilder Survey. | Customer satisfaction is a strategic priority and fundamental to our business. HBF Homebuilder Survey is an industry recognised independently measured indicator of our customer service and build quality. Key metric for assessing performance for Executive Directors' remuneration. |
| Health and safety (SHE audit compliance) | | | |
| Over 94% SHE audit compliance. | 97% (2021: 97%) TARGET MET | The percentage of internal inspections which are compliant with SHE guidelines. | Demonstrates compliance with safety standards on our sites. Lead indicator highlighting areas of SHE focus. Key metric for assessing performance for Executive Directors' remuneration. |
| Carbon intensity | | | |
| Reduce greenhouse gas intensity (tCO ₂ e per 100m ² of legally completed build area) for scope 1 and 2 greenhouse gas emissions. We have set a target to reduce absolute scope 1 and 2 greenhouse gas emissions by 29% by 2025 from 2018 levels. | ON TRACK | Tonnes of greenhouse gas emissions associated with our scope 1 and market based scope 2 emissions, which includes energy and fuel use on our sites, in our offices and in our company vehicles, for every 100m ² of legally completed build area. | To minimise the environmental impact of our business activities and reduce our exposure to climate risk. |
| Waste intensity | | | |
| Reduce construction waste intensity (tonnes per 100m ² of legally completed build area) to 5.67 by 2025. | ON TRACK | Tonnes of waste generated from above ground construction for every 100m ² of legally completed build area. | To maximise operating efficiency and use materials as efficiently as possible in the construction process. |
| Employee engagement score | | | |
| Upper quartile engagement. | 79.4% (2020: 84.2%) BEING MONITORED | The percentage level of satisfaction of our people measured using an annual independently conducted survey. | To gain an insight of, and provide a forum for, employee views. To retain and invest in the best people and focus on their development and success. |
| Land approvals (plots) | | | |
| 18,000–20,000 plots approved for purchase. | 19,089 (2021: 18,067) TARGET MET | The number of plots approved for purchase. | Monitors whether the Group is approving enough land for purchase to support future business activity. Ensures land is approved at minimum hurdle rates. |

Key performance indicators CONTINUED

Financial

| Metric | Target | Status | Progress | Definition | Why we measure |
|--------------------------------------|--|--|----------|--|---|
| Growing volumes | | | | | |
| Home completions | Growth to 21,500 in the medium term. | 17,908 ON TRACK | | Legally completed homes during the year including JV homes legally completed in which the Group has an interest. | Reflects activity and growth. Method by which business capacity is monitored. |
| Delivering margin improvement | | | | | |
| Gross margin | Achieve minimum 23% gross margin. | 17.1% | | Gross profit divided by total revenue, expressed as a percentage. | Key internal metric for assessing site profitability. Enables consistent comparison of land acquisitions. |
| Adjusted gross margin | | 24.8% TARGET MET AT ADJUSTED LEVEL | | | |
| Profit from operations | Driving further improvements. | £646.6m | | Profit from operations. | Demonstrates profitability before finance costs, share of profits from JVs and associates and tax. |
| Adjusted profit from operations | | £1,054.8m TARGET MET AT ADJUSTED LEVEL | | | Assesses the efficiency of our operations. |
| Operating margin | Driving further improvements. | 12.3% | | Profit from operations divided by total revenue, expressed as a percentage. | Demonstrates profitability before finance costs, share of profits from JVs and associates and tax. |
| Adjusted operating margin | | 20.0% TARGET MET AT ADJUSTED LEVEL | | | Assesses the efficiency of our operations. |
| Profit before tax | In line with consensus at the start of the financial year. | £642.3m | | Profit before tax including the applicable share of profits from JVs and associates. | Shows the profitability of the Group relative to market expectations. |
| Adjusted profit before tax | | £1,054.8m TARGET MET AT ADJUSTED LEVEL | | | Key metric for assessing performance for Executive Directors' remuneration. |

| Metric | Target | Status | Progress | Definition | Why we measure |
|---------------------------------------|---|--|----------|---|---|
| Delivering ROCE | | | | | |
| ROCE | Minimum 25%. | 30.0% TARGET MET | | Calculated as earnings before amortisation, interest, tax, operating charges relating to the defined benefit pension scheme and adjusted items, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments. | Ensures efficient and effective use of capital. Key metric for assessing performance for Executive Directors' remuneration. |
| Attractive shareholder returns | | | | | |
| Basic EPS | In line with consensus at the start of the financial year. | 50.6p | | Calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held by the EBT on which no dividend is paid. | Shows profit attributable to each share. Key metric for assessing performance for Executive Directors' remuneration. |
| Adjusted basic EPS | | 83.0p TARGET MET AT ADJUSTED LEVEL | | | |
| Total shareholder return | To grow total shareholder return against FTSE (50+/-) companies and the Housebuilding sector. | [4.9 %] for the three years ended 30 June 2022. (2021: 59.8% for the years ended 30 June 2021). TARGET NOT MET | | 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. | Shows the appreciation and income a shareholder receives from holding each share. Key metric for assessing performance for Executive Directors' remuneration. |

For progress against our medium term targets, go to page 17 in the **Chief Executive's statement**

Chairman's statement



“Our business has a well-embedded culture and belief in operating to the highest standards, taking pride in the work that we do.”

John Allan
Chairman

In FY22, we have delivered excellent operational and financial results. Notwithstanding the challenges faced by the industry, most notably around building materials supplies, we have successfully grown both our home completions and our adjusted financial results to levels that exceeded our pre-pandemic full year performance in FY19.

We delivered 17,908 high quality, energy efficient new homes (including JVs) across Britain in FY22. This performance is 3.9% ahead of last year and also ahead of the 17,856 homes we completed pre-pandemic in FY19. We achieved adjusted profit before tax of £1,054.8m, a new record for the Group.

I would like to express my thanks to all our employees, sub-contractors and suppliers for their continuing commitment and dedication to Barratt.

Our employees

Our employees are key to our success. The Board is always keen to understand and respond to their views, concerns and challenges. Communication and feedback is achieved through a variety of channels including the Workforce Forum, town hall meetings and employee surveys. More details around how we have engaged with our employees throughout the year can be found on pages 42 and 43.

We are conscious of the challenges that many of our employees will be facing as a result of the cost of living crisis and we are doing all we can to support them. We accelerated our annual pay review by three months to 1 April 2022 and introduced a temporary cost of living supplement for the six months from 1 July 2022, to all employees below the senior management team. In January 2022 we extended our private medical insurance cover to all employees, a first for the sector. We also introduced an additional paid volunteering day and gave an extra special day's holiday to all our employees. We will continue to monitor the economic backdrop and take any further steps that are deemed appropriate to ensure our employees are supported and we remain an employer of choice in the industry.

During the year, we appointed a new Head of Diversity and Inclusion to enhance our strategy and to deliver more rapid progress in the creation of a diverse and inclusive workplace. For more information see pages 32 and 84.

Our culture

Our business has a well-embedded culture and belief in operating to the highest standards, taking pride in the work that we do and the way in which we operate, whilst remaining focused on the needs of our customers and other stakeholders.

The underlying strength of our culture has been shown through the way the Group has continued to drive growth in the past year whilst, at the same time, improving our build quality and customer service. The Board continues to seek ways of further developing and advancing the positive culture of our business and recognises that the Group's culture is driven by its leadership. For further information, see page 80.

Building sustainably

Our Building Sustainably framework is the blueprint for identifying and driving the positive changes we aspire to deliver. We are determined to maintain our position as the leading national sustainable housebuilder and recognise that sustainability presents clear opportunities for business growth, encourages innovation and improves our products for customers.

The Group's Sustainability Committee, chaired by our Chief Executive David Thomas and attended by three additional members of the Board, became operational in the year. This Committee is responsible for scrutinising the sustainability strategy, ensuring the Building Sustainably framework

is embedded across the Group's operations and that we are mitigating our sustainability risks and leveraging opportunities in the short, medium and longer term. For further information, see pages 20 to 23.

We are committed to continuously enhancing our reporting disclosures to meet changing stakeholder requirements and enable better analysis and comparability. I am pleased to report that we have undertaken a thorough review of Group wide climate related risks and opportunities and this year's Annual Report includes full disclosure and compliance with the recommendations of the TCFD. For further information, see pages 58 to 71.

In addition, we have again reported against the SASB disclosure criteria. This is available on our website.

The 2021 CDP annual results provided valuable external benchmarking of our performance against key sustainability measures. Our leadership level in the "Climate" category was maintained in the year; we improved to the leadership level in the "Forests" category, and we also improved our score in the "Water" category. The CDP results reflect our leading position in the UK housebuilding sector and are a credit to the hard work and dedication of our teams throughout the Group.

Finally, in December 2021, we were named "Sustainable Housebuilder of the Year" at The Housebuilder Awards 2021. This is the first time we have won this award and reaffirms both our progress to date and our commitment to be the leading national sustainable housebuilder.

More information on our sustainability strategy is included in the Chief Executive's statement on pages 16 to 33.

Building safety

We have always been clear that we do not believe leaseholders should have to pay for necessary remediation to fix building safety issues caused by the design, construction or refurbishment of their buildings. On 6 April 2022 we announced that a proportionate and sensible approach to fire safety in historical buildings had been agreed with the UK Government and we have pledged to support leaseholders by funding remediation of buildings that we developed over the past 30 years. Accordingly, we have recognised an additional provision of £396m during the year. The Group is now also subject to the Residential Property Developer Tax (RPDT), which came into effect on 1 April 2022.

We have, however, urged Government to reconsider additional plans to expand the scope of the Building Safety Levy, which would create a further tax burden on the industry in addition to the existing RPDT and the six percentage point increase in corporation tax, currently planned for 1 April 2023. In our view, the plan to expand the scope of the Building Safety Levy risks further punishing UK housebuilders who were not responsible for most of the historical buildings or building safety issues being addressed.

Board changes and succession planning

On 6 December 2021, we welcomed Mike Scott to the Board as an Executive Director and Chief Financial Officer. Mike has brought a wealth of financial experience from his previous roles. His detailed biography can be found on page 74.

Nina Bibby has completed nine years' service and will not stand for re-election at the AGM in October. During the year, we commenced a search for a new Non-Executive Director. This process is ongoing and an announcement will be made once the appointment has been finalised.

We welcome the new targets introduced by the FCA to increase diversity on listed company boards and executive committees. Whilst the requirements are not applicable to us until the FY23 Annual Report and Accounts, we have set out our current position on page 84 together with the steps that we are taking to comply with the requirements. Considering the need to continuously refresh the Board and our succession plans, Jock Lennox, Senior Independent Director, is leading the process to find a suitable candidate to replace me as Chair by the 2023 AGM. Full details will be announced once the appointment of the new Chair has been concluded.

Stakeholder engagement

Stakeholder engagement is a key part of the Board's agenda. Full details around engagement during the year can be found in pages 41 to 51.

Shareholder returns

The Board remains focused on the continued investment in the business to deliver disciplined growth in our completion volumes. The Group's financial position and inherent cash generation has allowed the Board to review capital returns to shareholders during the year.

At the half year, we considered the significant ongoing cash generation of the Group's operations, as well as the importance of a long-term predictable dividend income stream for our shareholders. Accordingly, the Board revised the Group's ordinary dividend policy, implementing a phased reduction in dividend cover of 0.25x per year from 2.5x in FY21 to 1.75x in FY24.

The Board declared an interim dividend for FY22 of 11.2 pence per share (interim FY21 dividend: 7.5 pence per share) and is pleased to recommend a final FY22 dividend of 25.7 pence per share (final FY21 dividend: 21.9 pence per share). Subject to shareholder approval, the final dividend will be paid on 4 November 2022 to shareholders on the register at the close of business on 30 September 2022. Shareholders who wish to elect for the Dividend Reinvestment Plan should do so by 14 October 2022.

The total proposed ordinary dividend for FY22, including the interim dividend of 11.2 pence per share paid in May, is 36.9 pence per share (FY21: 29.4 pence per share) reflecting the revised ordinary dividend cover of 2.25x adjusted earnings per share.

Additional capital returns

At the half year results, the Board confirmed that, where we have capital beyond our requirements for investment in the growth of the business, it would be the Board's intention to return this to shareholders. We committed to provide an update on the method and timing of any such return when appropriate to do so, considering opportunities for further investment and prevailing equity market conditions.

Following the excellent performance of the business throughout FY22 and our strong and resilient balance sheet, the Board has approved a return of surplus capital of £200m in FY23 through the implementation of a share buyback programme which will start shortly with an initial tranche of £50m to be completed by the end of the calendar year and the total programme completed no later than 30 June 2023.

AGM

Our 2022 AGM will be held at the offices of Linklaters LLP in London on Monday 17 October 2022 at 2pm. Similar to last year there will also be a live webcast and the ability to submit questions on the day as well as in advance of the meeting. Voting at the AGM will continue to be by way of a poll to accurately reflect the holdings of our shareholders. Full details can be found in the separate Notice of AGM.

Looking to the future

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

Our business is also in a very good position with substantial net cash, a strong forward sales position, and an excellent land bank. Our employees are focused on delivering operational improvements across our business, with an unwavering commitment to deliver high-quality, energy-efficient and sustainable homes and developments across the country.

Macroeconomic uncertainties remain, most notably around household energy costs and elevated inflationary pressures, changes in interest rates and the consequent impacts on employment, wage growth, house prices and consumer spending and confidence. As a business, we also face the prospect of higher taxation, the ongoing challenges around build cost inflation and the withdrawal of Help to Buy, which will close for new reservations at the end of October 2022.

The Board will continue to monitor and respond to changes in the market and the wider economy but believes that our operating performance, forward order book and strong balance sheet position us well, with the resilience and flexibility to react to changes in the operating environment for FY23 and beyond.

On behalf of the Board, I would like to thank you for the confidence you have shown in the Group during the past year and for your continued support.

John Allan
Chairman

6 September 2022

Marketplace

UK economy

UK economic output grew by 3.5%¹ during the 12 months to 31 May 2022, but growth slowed in the last quarter to just 0.4%, after an estimated 0.2% decline in GDP in April 2022. The UK economy was, at the end of May, 1.7% ahead of that prior to the onset of the pandemic in February 2020. The outlook for the UK economy in the remainder of 2022 and 2023 is, however, far less certain. Inflationary pressures being experienced across the whole economy reflecting energy, commodities and food costs, much of which derived from exogenous factors beyond the UK's influence, are being compounded by limited labour availability and supply chain challenges. Government economic policies and the Bank of England's decisions around interest rates to control inflation will be critical in the months ahead. The latest HM Treasury collated consensus economic forecasts project GDP growth of 3.7% in 2022 and 0.8% in 2023².

Housing supply and demand

There remains a fundamental shortage of homes in the UK. In the 12 months to 30 June 2022, the average UK house price increased by 10.7% according to the Nationwide Building Society³ and by 13.0% according to Halifax⁴. In the same period, the average household rent has increased by 10.5%⁵, affecting every region of the UK according to the HomeLet Rental Index. The housing shortage is evident across all tenures and is a critical issue for the health of the UK economy and the economic health and wellbeing of its population. New build housing additions

were 194,060 in the last reported 12-month period to 31 March 2021⁶ – a decline of 11.4% on the 219,120 new build additions in the year to 31 March 2020. This decline reflected the impact of the pandemic, and new build additions in the year to 31 March 2022 are anticipated to recover towards those achieved pre-pandemic.

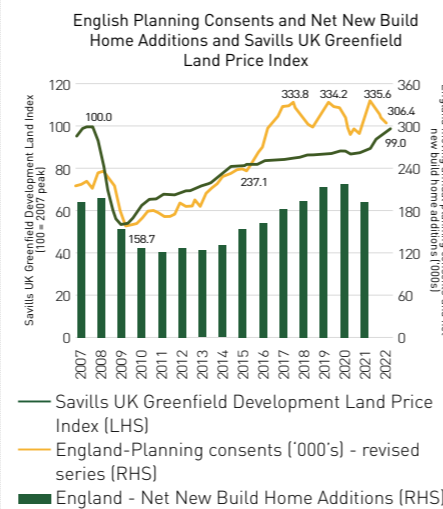
There is a significant opportunity for growth in housebuilding over the coming years to meet housing demand. However, this growth will require a sustainable mortgage with strong availability of high loan-to-value mortgages at competitive and affordable rates coupled with consumer confidence in employment and the wider economy. It will also require a greater level of coordination and consistency in Government policy – both national and local – in a highly regulated, long-term capital-intensive industry, which operates with significant cyclical risk.

Our strategy remains focused on responding to this growth opportunity. We maintained our capacity throughout the pandemic, have achieved pre-pandemic total home completions in FY22, and have invested in additional capacity for growth in the future.

Land supply and the planning system

The supply of land with planning consent is critical to the housebuilding industry. After significant pandemic-related disruption, the number of planning permissions approved recovered through to June 2021 when annual permissions peaked at 335,599. However, this level of activity

has not been maintained and in the 12 months to 31 March 2022, 306,436 new build planning permissions were approved in England – 8.7% down from the mid-2021 peak. This period was impacted by the removal, on 6 May 2021, of temporary regulations under the Coronavirus Act 2020, which had allowed local authorities to hold virtual planning committee meetings. This created delays for many local authorities during the second half of 2021. Local authority planning departments have also seen significant budget cuts and staff turnover, stretching already limited resources.



In addition, planning departments have been further constrained by sudden changes in advice from external non-elected bodies, most notably Natural England. In March 2022, Natural

England advised 74 local authorities that developments should not proceed if they increased the level of nutrients and failed to deliver nutrient neutrality, despite the fact that excess nutrient levels reflect the failures of the wastewater treatment industry and intensive agricultural use of fertilisers. This issue, unless rapidly addressed at its source, could have a material impact on future planning consents and the ability of the housebuilding industry to deliver housing growth.

Building materials and labour

We experienced an increasing rate in build cost inflation throughout FY22, which reflected the:

- continued rebound in housebuilding activity;
- impact of growing global demand for commodities including steel, timber and plastics, which began in early calendar 2021; and
- dramatic increase in energy costs, which began in the autumn of 2021 and was then compounded by the conflict in the Ukraine.

In July 2022, we highlighted that total build cost inflation was between 9% and 10% and, whilst the future is difficult to predict, there remains some upward risk to build cost inflation, particularly as our supply chain partners roll off hedged energy supply terms in the coming months.

Through our centralised procurement team, comprehensive scheduling of our building materials demands and the

support of our long-standing supply chain partners, we are focused on ensuring security of supply and sustainable but competitive pricing.

Housing market support

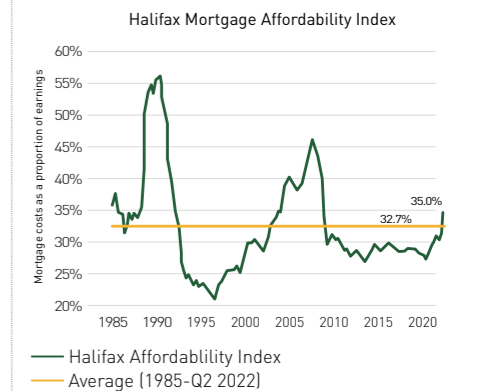
FY22 saw significantly less Government involvement in the housing market. The SDLT holiday, introduced in July 2020, began to taper in July 2021 and ended on 30 September 2021. The revised Help to Buy scheme operated throughout FY22, but will not be available for reservations beyond 31 October 2022.

The mortgage market and housing affordability

The mortgage market has seen an improved range of mortgage products and increased competition for customers during the year to 30 June 2022. Mortgage approvals have reduced after the impacts of the SDLT holiday, but remain at levels ahead of those in the five-year period pre-pandemic. Mortgage lenders are also increasingly recognising the benefits of new build lending given the energy efficiency, lower running costs and the absence of future retrofit spending on insulation and other energy efficiency measures on new homes.

We continue to work with banks, building societies and other financial institutions to grow lender understanding and introduce additional lenders to the new build sector. The development of green mortgages remains an important initiative and we are actively developing mortgage products that reflect the energy efficiency and environmental credentials of our homes.

Housing affordability is becoming a more challenging dimension across the UK housing market, reflecting house price appreciation since the pandemic and, more recently, the increase in mortgage interest rates. According to the Halifax Mortgage Affordability Index, the purchase of a new home now equates to 35% of after-tax income, ahead of the long-term average at 32.7%. In the coming months, this affordability measure will be positively impacted by the growing rate of nominal wages, but will ultimately be dependent on the movements in mortgage rates and house prices.



Upcoming changes impacting the housebuilding industry

In the coming years, there are several changes that will impact the housebuilding industry and for which we are preparing. The following table provides a summary of the key changes ahead.

Read more on the Zed House and Leading Construction case studies on pages 14 to 15 and 27.

| Upcoming regulations | How we are preparing |
|---|---|
| <p>31 March 2023</p> <p>Help to Buy The Government scheme will close on 31 March 2023 with reservations under the scheme closing in October 2022.</p> | <p>Along with a number of housebuilders, mortgage lenders and the HBF, we have launched the "Deposit Unlock" scheme which, through an insurance payment funded by ourselves, will allow home buyers to purchase with a 5% deposit, replicating the deposit requirements of Help to Buy.</p> |
| <p>15 June 2022 for transition sites, 14 June 2023</p> <p>New Building Regulations Parts L, F, O and S came into effect on all new developments from 15 June 2022 and will be required on all developments from 14 June 2023. These new building regulations, as part of the Future Homes Standard, cover carbon emission reductions of 31% from previous standards, involving insulation and ventilation, design changes to address overheating and the provision of electric vehicle charging points.</p> | <p>We have evolved our housetype designs to meet these standards to ensure our homes deliver a 31% reduction in carbon emissions required by Parts L and F, and the changes to address overheating and site layouts to allow the provision of electric vehicle charging points.</p> |
| <p>Mid-November 2023</p> <p>Biodiversity net gain (BNG) The legislation will require all national developments to deliver a biodiversity net gain of 10%. This means our developments will need to create a 10% measurable improvement in the biodiversity of the site developed relative to the site had development not occurred.</p> | <p>We have rolled out a biodiversity best practice programme across all divisions and have committed to minimum BNG of 10% across all development designs submitted for planning from February 2023, well ahead of the legislation timetable.</p> |
| <p>Mid 2025</p> <p>Future Homes Standard (FHS) From 2025, the FHS will require new homes to produce 75–80% less carbon emissions than standards applicable during FY22.</p> | <p>Our Technical & Innovation team has a programme of work, which is well underway, to prepare us not just for the Future Homes Standard but to meet our target of zero carbon in use, for our house types, from 2030. We have showcased a case study on page 14 highlighting our Zed House, a zero carbon concept house.</p> |

¹ GDP monthly estimate, UK: May 2022 www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/may2022

² HM Treasury: forecasts for the UK economy July 2022 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1092359/Forecomp_July_2022.pdf

³ Nationwide House Price Index – June 2022 www.nationwidehousepriceindex.co.uk/reports/annual-house-price-growth-slows-in-june-but-remains-in-double-digits

⁴ Halifax House Price Index – June 2022 www.halifax.co.uk/assets/pdf/june-2022-halifax-price-index.pdf

⁵ HomeLet Rental Index June 2022 <https://homelet.co.uk/homelet-rental-index>

⁶ HBF Pipeline Report 1Q 2022 – Published July 2022 www.hbf.co.uk/documents/11892/HPL_REPORT_2022_Q1_final.pdf

Our Business model

Key resources

We manage the following resources to create value for our stakeholders:

Our people

- Experienced and engaged employees.
- Long-standing and committed sub-contractor relationships.
- Strong and enduring relationships with land market participants.
- Ongoing training and development.

Safety, health and environment

- Dedicated safety, health and environment team.
- Continuous improvement culture.
- Regular compliance audits.
- Dedicated resource deployment to key risk areas.

Land

- Current land bank with planning.
- Optimised site size.
- Strategic land bank portfolio.
- Promotional land bank portfolio.

Design and innovation capabilities

- In-house technical and innovation team.
- In-house biodiversity and climate expertise.
- Investing in research and development.
- Academic research partnerships.

Construction and development expertise

- Industry-leading build quality.
- Experienced site management teams.
- In-house construction expertise.
- Timber frame manufacturing capacity.

Sales and marketing expertise

- Industry-leading customer service.
- Dual-brand marketing capabilities.
- Highly trained sales team.
- Digitally led customer journey.

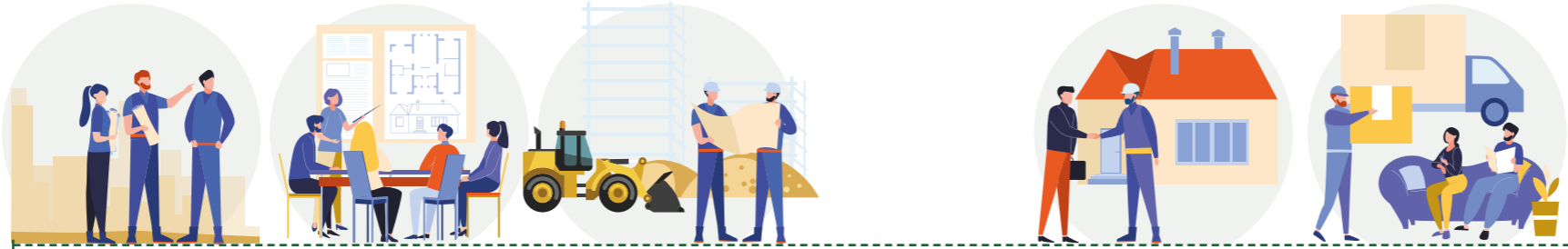
Financial

- Strong and resilient balance sheet.
- Disciplined investment criteria.
- Robust cash generation.
- Access to debt facilities.

Strong relationships with stakeholders

- Ongoing landowner relationships.
- Local government engagement.
- Committed to community engagement.
- Mortgage lender relationships.
- Product innovation alliances.
- Supply chain partnerships.
- Joint venture arrangements.

Investment in the housebuilding value chain



Targeted land buying and effective planning

We acquire land through various sourcing routes in targeted locations throughout the country where homes are needed and where we can achieve attractive returns for shareholders. Working closely with local communities and stakeholders, whilst applying our planning and development skills, we seek to gain planning consents that enable the creation of great homes and sustainable places where our customers aspire to live.

Outstanding design

We design homes that, through innovation and customer research, meet customers' aspirations. Our standardised housetype designs are continually evolving and improving to meet changing customer demands and the challenges created by climate change. We design "Great Places" that create a positive impact on ecology, biodiversity and the health and wellbeing of residents and the local communities.

Construction excellence, innovation and efficiency

Through efficient construction and innovation, our ambition is to maximise the value of all materials, resources and products at each stage of our value chain. We deliver through best-in-class site management, centralised procurement and technical resources, as well as the highest standards of health and safety.

Innovative sales and marketing

We look to continually innovate our sales and marketing methods through technology, investment and training. Our strong brands – Barratt Homes, David Wilson Homes and Barratt London – have clearly defined market positions that target different customer aspirations.

Industry-leading customer experience

From our initial customer contact, through the home buying process, to our after-sales service, we aim to deliver an industry-leading customer experience. This is underpinned by an embedded culture, ongoing investment in technology, the commitment of our people, the quality of our homes and the places we create.

COMPETITIVE ADVANTAGES

- Against the backdrop of increasing regulation in both the planning process and the requirements of the homes we build, our in-house resources create capabilities, which smaller competitors increasingly struggle to replicate.

Commitment to quality, customer service and sustainability

- We lead the industry in build quality, customer service and sustainability. Each has involved significant and continuous investment over many years, reinforced by clear processes and supported by our culture.
- We believe these are fundamental to our reputation with customers, investors, landowners and suppliers, supporting our ability to operate in communities throughout the country.

Scale and technical resources

- We have clear advantages of scale through our financial strength, land bank diversification and operating capacity across the country.
- We can invest in in-house technical expertise in land buying, planning, design and development, biodiversity, procurement, construction, marketing and sustainability.

Customer focus and pride in what we do

- Our business is based on a culture of doing the right thing, putting our customers at the heart of everything we do and having pride in the quality and customer service we deliver.
- Our culture is embedded throughout our business and guides both management decision making and the actions of our employees.

Resilient, adaptable and sustainable business

- Our approach to sustainability emphasises the creation and retention of value, driving cost reduction, risk mitigation, sustainable growth, transparency and trust in the business. This drives margin improvement and increased competitiveness, as well as an improved reputation among our stakeholders.

Value for stakeholders

Our stakeholder engagement enables us to align our activities to our stakeholders' expectations on environmental, social and governance-related matters. The integration of sustainability throughout our business allows us to create value for all stakeholders, mitigating risk whilst actively seeking opportunities to differentiate and unlock improvement in margins and returns.

Customers

Through a positive home buying journey, we deliver high-quality, energy-efficient, sustainable homes supported by dedicated after-sales care. Outstanding design creates developments that enhance the wellbeing of our customers, homes that meet changing lifestyles and, through energy efficiency, lower lifetime home operating costs.

Employees

We create a great place to work, founded on an open and honest culture, focused on performance and personal development, which embraces diversity and inclusion. We aim to attract and retain the best people to whom, through business growth and employee development, we can offer rewarding long-term career development opportunities.

Shareholders

Through our medium-term targets, we strive to improve the quality and efficiency of our operations and generate growth in profitability and attractive returns on capital. Our operating framework creates financial discipline to support the resilience of our operating business model, balance growth and cash returns to shareholders.

Suppliers

We recognise that our suppliers and sub-contractors are critical to the delivery of our strategic objectives and seek to be their developer of choice. We invest in our relationships through transparency, the forward visibility of the building materials, products and future workload we can offer, and timely supplier payment.

Communities

We seek to create a positive legacy where our developments encourage local communities to thrive. This is achieved through working with local planning departments to deliver developments that satisfy the needs of local communities, supported by our development and place-making expertise, as well as planning gain contributions to improve community infrastructure. This results in enhanced environments that benefit the communities in which we develop.

Wider society

We are building the energy-efficient, sustainable homes the country needs, creating jobs and supporting economic growth, whilst also making substantial taxation contributions, both direct and indirect, to support wider society. We also recognise, as the largest and leading national sustainable housebuilder, we have a responsibility to support the housebuilding industry, as well as our supply chain partners, on our shared journey to net zero carbon emissions.

Read more on our [stakeholder engagement](#) on pages 41 to 51.

The Zed House case study

SUSTAINABILITY
IN ACTION

Zed House

The Zed House is a unique zero carbon concept home that showcases the future of sustainable living in the UK.

Welcome to the home of the future

“We wanted to showcase what can be done to deliver zero carbon living using the latest technologies and working with the best industry partners. Ultimately, our aim is to find solutions to enable the industry to build high-quality, zero carbon and nature-friendly homes that customers aspire to own, at the scale which the country will need over the coming decades.”

David Thomas, Group Chief Executive, Barratt Developments PLC

The Zed House is our first step in a three-year research and development programme, supported by AIMCH and Innovate UK, working with our partners and stakeholders to identify the right technologies and processes to build healthy, sustainable and well-designed homes that our customers will want to live in.

The brief

In early 2020, the Group announced its commitment to build zero carbon homes in use from 2030. An important step on this journey was to build a concept home of the future. The result, the Zed House, is the first home built by a national housebuilder that goes significantly beyond the UK Government’s Future Homes Standard, delivering more than a 125% reduction in carbon emissions relative to current standards.

Integrated design and build

Working in partnership with the University of Salford and more than 40 leading organisations, the Group’s Technical and Innovation team began detailed design in early 2021, using a popular housetype, the “Alderney”, as the basis for the Zed House design. The design incorporated Nationally Described Space Standards (NDSS), Category M4 (2) accessibility standards, as well as increased thermal performance. Intrinsic to the design process was an increased level of standardisation, taking ‘design for manufacture’ or DFMA principles on board.

To optimise build, the design uses integrated Advanced Modern Methods of Construction (MMC). We worked with our supply chain partners and Oregon, our in-house timber frame division, to

develop a coordinated super structure design that ensured the manufacture and site assembly of the MMC elements was seamless.

Relative to brick and block construction materials and the traditional construction process onsite, the Zed House benefits from both lower embodied carbon in the offsite construction products used, as well as significantly reduced carbon emissions during the construction process itself.

The result is a fabric-first zero carbon home, which combines the latest offsite construction products, including insulated pre-cast concrete floors, offsite masonry panelised walls, closed panel timber frame and factory-applied external façade and windows.

Meanwhile, a specialist team established a detailed specification for the energy and heating of the Zed House. The project partners worked collaboratively to integrate the latest technologies into a coherent, smart heating system using the latest technologies. This includes 25 photovoltaic panels, an air source heat pump, infrared heating technologies, underfloor heating and batteries, as well as wastewater heat recovery systems.

COLLABORATION BETWEEN
40
LEADING PARTNERS
125%
REDUCTION IN CARBON EMISSIONS

Oliver Novakovic,
Technical &
Innovation Director



A partnership to accelerate progress

“The Zed House is the culmination of a partnership involving more than 40 leading supply chain partners, consultants and designers. Working together, we have gained an understanding of how we can integrate such a wide range of technologies, measure the benefits and the home’s performance, as well as appreciate the future challenges of integrating so many technologies into a single zero carbon home.”

Oliver Novakovic, Technical and Innovation Director, Barratt Developments PLC

Monitoring and living in the Zed House

Two key objectives of the Zed House project are to understand the consequential impacts of integrating so many new technologies in one home, as well as gaining an appreciation of what it would be like to live in a house of the future.

To collect data and interrogate the Zed House performance, the University of Salford team designed and installed an advanced monitoring system into the fabric of the Zed House. More than 1km of cabling and 95 sensors collect real-world data on key performance parameters, including hot water and heating performance, indoor air quality, thermal comfort and renewable energy generation.

Members of the University of Salford team have spent time living in the Zed House to ensure we better appreciate zero carbon living, as well as the mix of technologies and features that will deliver the low carbon homes that future homebuyers will aspire to.

“The big target is getting to net zero. Houses of the future are not going to be just consuming energy, they will be generating and storing energy, and they may well be trading energy, so the learnings from projects like the Zed House can actually help inform what the direction of travel needs to be.”

Professor Will Swan, Director Energy House Laboratories, University of Salford

The future

The next few years will see unprecedented change as the UK and the world take action to address climate change and reduce our impact on the environment. This will affect the materials we use to build new homes, how we heat them and the smart technologies that will help reduce energy use and carbon emissions.

The adoption of advanced MMC, coupled with the next generation of low and zero carbon technologies, mean that the Zed House has set a new benchmark on the way to building zero carbon homes at scale. The project has delivered a significant step forward in our understanding, and lessons learnt are already being integrated into existing schemes like Delamare Park (see page 29) and our future research and development projects.

Chief Executive's statement



“We remain committed to playing a key role in addressing the housing shortage and delivering high-quality, energy efficient and sustainable developments.”

David Thomas
Chief Executive

Introduction

We have made excellent progress in a year of strong housing demand. I would, once again, like to thank our employees, sub-contractors and supply chain partners for their hard work and commitment, which enabled us to successfully grow our site-based construction activity, notwithstanding the significant supply chain challenges, and deliver high-quality homes and great service to our customers. Our focus remains on achieving our medium-term targets, growing completion volumes and further developing our industry leadership around sustainability, to deliver long-term value for all our stakeholders.

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

We remain committed to playing a key role in addressing the housing shortage and delivering the high-quality, energy-efficient and sustainable developments needed across England, Scotland and Wales. In doing so, we will continue to contribute to growing Britain's economy as we navigate the economic challenges emerging post-pandemic, as well as the macroeconomic impacts developing from the war in the Ukraine, most notably around energy costs, inflation and interest rates.

We continue to lead the industry on sustainability, with a particular focus on reducing our environmental impact, and we have clear targets and plans for the years ahead.

Housing market fundamentals

Despite the continued macroeconomic uncertainties, the housing market fundamentals remain attractive. Strong demand for high-quality, energy-efficient homes has been evident across the UK since it emerged from the initial national lockdown in summer 2020.

The strength of new housing demand, as well as years of under supply, underpin the Government's ongoing target to build 300,000 new homes each year. We are well positioned to deliver the high-quality, energy-efficient and sustainable developments needed across the UK.

The land market remains attractive with a steady supply of opportunities. Despite some planning delays during the year, planning consents have remained ahead of home building activity at a national level. Planning delays are however becoming more commonplace, reflecting constrained planning resources, the delayed impacts of the pandemic and emerging land use issues, notably the challenges created by nutrient neutrality. We are currently engaging with the consultation around future planning reform. We would urge the Government to ensure any changes deliver a planning system that is responsive to housing need, predictable and timely, and well-resourced at local authority level, to ensure a flow of consented land, which will allow the housebuilding industry to deliver the homes the country needs.

For the industry to grow new homes supply, it is vital that homebuyers can continue to access affordable and competitive mortgage finance. Whilst the revised Help to Buy scheme draws to a close on 31 March 2023, a more competitive mortgage market backdrop has increased the availability of 95% loan-to-value (LTV) lending. In addition, "Deposit Unlock" – a scheme developed by the housebuilding industry, insurers and lenders – is also now available across our developments through a number of mainstream mortgage lenders, and offers a 95% LTV mortgage.

Committed to building more homes

Reflecting our position as Britain's largest housebuilder, and our commitment to play a key role in addressing the housing shortage, this year we have put in place additional building blocks for future growth beyond our previous target of 20,000 annual home completions.

At the end of January 2022, we acquired Gladman Developments Limited. Gladman is the country's largest land promoter, which brought into the Group an industry-leading team of experts in land sourcing, promotion and planning. Gladman, at the time of its acquisition, held a portfolio of 406 land promotion sites encompassing more than 98,000 plots, which will provide an additional route to both grow the Group's strategic land bank and accelerate the strategic land bank conversion. Gladman will also benefit from the Group's development resources and financial strength, allowing it to offer a broader range of land promotion options to its current and future land partners. Gladman will, we believe, enable us to deliver incremental completions of 500 homes per annum from FY25.

We have also opened two new divisions – Sheffield and Anglia, in our Northern and East regions respectively – to support our future growth. Both divisions are dual branded, offering both Barratt and David Wilson homes and, following a period of land bank assembly, offer attractive opportunities for additional growth over the coming years. Once operating at scale, over the next five to seven years, we believe these two divisions combined will have the capacity to deliver more than 1,000 home completions per year.

To support our site-based construction activity, address the longer-term challenge of labour availability in the industry and build the most energy-efficient and sustainable homes for the future, Oregon, our in-house timber frame manufacturing business, is building a new timber frame facility near Derby. This facility will add significant capacity to Oregon's output from FY24.

Through these investments in enhanced land supply, geographic infill and additional off-site construction capability, we are creating the capacity to grow to 21,500 total completions (including JVs) per annum in the medium term, ensuring we can deliver growth in the high-quality, energy-efficient and sustainable homes the country needs.

Performance overview

We have delivered an excellent performance throughout the year, making significant financial and operational progress, while improving both build quality and customer service.

Our performance is a testament to the disciplines embedded by our operating framework and the resulting strength in our business, as well as the commitment of our employees, sub-contractors and supply chain partners.

We increased our total home completions by 3.9% to 17,908 (FY21: 17,243) and delivered on our target to grow total home completions back above the pre-pandemic level of 17,856 achieved in FY19.

Wholly owned completions also grew by 3.9% to 17,162 homes (FY21: 16,517 homes). In addition, we delivered 746 homes through our JVs (FY21: 726 homes).

We achieved our medium-term gross margin target, delivering a 24.8% adjusted gross margin (FY21: 23.2%), with adjusted gross profit of £1,308.1m (FY21: £1,114.7m), reflecting strong customer demand, house price inflation ahead of build cost inflation and improved site based productivity.

The impact of adjusting items, which reflected legacy property costs associated with building safety related remediation activities, as well as the estimated future costs of such works as part of the Building Safety Pledge, resulted in reported gross profit of £899.9m (FY21: £1,010.0m) and a reported gross margin of 17.1% (FY21: 21.0%).

After deducting administrative costs, we delivered an adjusted operating profit of £1,054.8m (FY21: £919.0m) and an adjusted operating margin of 20.0% (FY21: 19.1%). Profit from operations, after the deduction of adjusting items, was £646.6m (FY21: £811.1m).

With the deduction of finance costs and including JV income, we delivered strong growth in adjusted profit before tax for the year to £1,054.8m (FY21: £919.7m). Reported profit before tax, after deducting adjusting items, was £642.3m (FY21: £812.2m).

Our Balance Sheet has remained strong with year-end net cash of £1,138.6m (FY21: £1,317.4m). We have increased our land creditors at the year end to £733.6m (FY21: £658.3m) and, as a result, we have reported a year-end net indebtedness surplus of £405.0m (FY21: £659.1m net surplus). We have also improved our ROCE, which has increased by 220 bps to 30.0% (FY21: restated 27.8%) and, as a result, has moved ahead of the returns achieved in the three years prior to the onset of the pandemic.

Our targets for the coming year and the medium term

In FY22, our focus on rebuilding both our total home completions and financial performance has delivered an excellent improvement on adjusted gross margin and ROCE. Building on this performance, whilst recognising the UK economy continues to face macro uncertainties, we have a clear strategy and targets for both the year ahead and the medium term of three to five years.

Our business now has capacity to deliver 21,500 home completions

- We intend to grow total home completions in FY23 to between 18,400 and 18,800 homes, with wholly owned completions between 17,650 and 18,050 homes, along with an additional c. 750 JV completions.
- Completions are expected to reflect the phasing out and timing of legal completions under the Help to Buy scheme, which must be completed by 31 March 2023.
- Beyond FY23, we will continue to target disciplined volume growth at between

3% and 5% annually towards our new target of 21,500 total home completions.

Our gross margin target remains at a minimum 23%

- We continue to buy land at a minimum 23% gross margin hurdle rate.
- In FY23, on the assumption that house price growth moderates over the coming months, and build cost inflation continues at between 9% and 10%, we would anticipate that our gross margin will move towards our minimum medium-term gross margin hurdle rate of 23%.

Our ROCE target remains at a minimum 25%

- In FY23 and beyond, we aim to continue to deliver a minimum ROCE of 25%, in line with our medium-term target.

Long-term value creation

We are focused on creating long-term value for our stakeholders. We recognise that the resources used in our operations are finite, from the land that we develop, to the materials we consume. Our impact on climate change makes it imperative that we constantly scrutinise and challenge the way we operate, as well as the environmental impact of our business.

Set out below are the progress and activities in FY22, as well as our objectives for the year ahead and the medium term:

| | Progress in FY22 | Areas of focus for FY23 | Medium-term targets |
|-------------------------|---|--|--|
| Home completions | <ul style="list-style-type: none"> 3.9% growth in total home completions to 17,908 (FY21: 17,243) including 746 JV completions (FY21: 726). | <ul style="list-style-type: none"> Managing the phase out of Help to Buy by the end of March 2023. Delivering total home completions of between 18,400 and 18,800 including c. 750 JV completions. | <ul style="list-style-type: none"> Disciplined growth in home completions to our new target of 21,500 homes. |
| Gross margin | <ul style="list-style-type: none"> 160 bps increase in adjusted gross margin to 24.8% (FY21: 23.2%). 390 bps decrease in gross margin to 17.1% (FY21: 21.0%). | <ul style="list-style-type: none"> Ongoing build optimisation and focus on build cost inflation control. Delivering continued operational improvements across our business. | <ul style="list-style-type: none"> Land acquisition at a minimum 23% gross margin and ongoing build optimisation and performance. |
| ROCE | <ul style="list-style-type: none"> 220 bps increase in ROCE to 30.0% (FY21: restated 27.8%). | <ul style="list-style-type: none"> Disciplined and controlled land and work in progress investment to support growth. | <ul style="list-style-type: none"> Minimum of 25% delivered through continued operating framework discipline. |

Chief Executive's statement CONTINUED

Keeping people safe

Our fundamental priority is always to provide a safe environment for all our employees, sub-contractors and customers, and we are committed to achieving the highest health and safety standards. We are continually developing our processes and procedures, challenging unsafe behaviours and looking at ways we can further improve.

As highlighted in last year's Annual Report, reflecting increased activity across housebuilding following the initial national lockdown, we experienced a significant increase in our Injury Incidence Rate (IIR) in FY21 to 416 (FY20: 256) per 100,000 workers. Following the introduction of action plans to address the IIR, and with close monitoring from the Safety, Health and Environment (SHE) Committee, we are able to report a significant improvement has been achieved, with our IIR reducing by 37% to 262 per 100,000 workers, and our SHE audit compliance has been maintained at 97% (FY21: 97%).

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

As part of our enduring response to COVID-19, we have continued to refine and update our working practices and policies in line with the latest guidance from Government, Public Health Authorities and the Construction Leadership Council. We also continue to operate enhanced induction, training and support for our site-based employees and sub-contractors, and employees operating under hybrid working arrangements.

Building safety pledge

As stated in the Chairman's statement, we have always been clear that we do not believe leaseholders should pay for necessary remediation to fix building safety issues caused by the design, construction or refurbishment of their buildings. We announced on 6 April 2022 that a proportionate and sensible approach to fire safety in historical buildings had been agreed with the Government, and we have pledged to support leaseholders by funding remediation of buildings we developed over the past 30 years.

We are working with the HBF and the Department for Levelling Up, Housing and Communities (DLUHC) to agree the necessary legal documentation and arrangements for a fair approach to the remediation process, including a robust and independent arbitration process to ensure clarity for all parties where there are areas of uncertainty.

We have provided £396m with respect to our Building Safety Pledge in FY22. Our dedicated Building Safety Unit is managing our building safety remediation programme, which should be delivered over the next three to five years, with building safety considerations paramount in the prioritisation and scheduling of works. The charges reflect the current best estimate of the extent and future costs of work required, but adjustments to the expected costs to complete may be required as work progresses.

We are also now subject to the Residential Property Developer Tax, which came into effect on 1 April 2022. This was introduced to fund the remediation of all residential buildings above 18 metres and applies to the majority of our profits above a £25m annual allowance at a rate of 4%.

Competitions and Markets Authority

After the end of the financial year, on 16 August 2022, the Competition and Markets Authority (CMA) announced that, after more than three years of investigation, during which we have worked constructively with the CMA, it had now closed its investigation into the Group in relation to the sale of leasehold homes.

Charitable giving

We recognise our responsibility to support the communities we operate in, 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 FY22, we raised and donated £5.1m (FY21: £4.3m) for charitable causes through the Barratt Foundation and Group donations.

To ensure that the Barratt Foundation can continue to donate to worthy causes, we have agreed a £12m rolling three-year funding agreement (£4m per financial year). In addition, we donated an additional c. £900k to the Barratt Foundation, which represents the unclaimed proceeds from the Shareholder Tracing and Reunification exercise completed in June 2021.

The Barratt Foundation

Now in its second year of operation, the Barratt Foundation was particularly active in FY22 – supporting over 500 charities and launching two new multi-year partnerships focused on social mobility and education.

A £1.3m three-year partnership with national youth charity, The Outward Bound Trust, will fund 15,000 days of outdoor learning and adventure for 3,000 disadvantaged young people. The Foundation also matched £300,000 raised by readers of The Times and Sunday Times who picked The Outward Bound Trust as one of their Christmas charities in 2021. The total – £1.6m – is the largest charity contribution ever made by the Group or the Foundation.

Continuing our longstanding support for Whizz-Kidz, the Barratt Foundation also made a £1.2m three-year commitment to provide life-changing mobility equipment and training opportunities for disabled children and young people.

During the year, the Foundation also made notable grants including:

- £111,000 to Sheffield Hallam University, where a three-year commitment is providing nine scholarships and 60 bursaries to support students facing financial hardship during their studies;
- £100,000 to Magic Breakfast, the 2022 employee charity vote winner, to provide 300,000 healthy breakfasts to children at risk of hunger in schools across the UK;
- £50,000 to the British Red Cross, to support the Ukraine Humanitarian Appeal;
- £50,000 to The Fire Fighters Charity, to support their ongoing work with the UK's fire services community;
- £40,000 to Emmaus UK, to provide rooms and support for homeless people at Emmaus communities across the UK; and
- £30,000 to Missing People, to help reconnect missing people with their loved ones by supporting a vital helpline and online chat service.

Barratt and David Wilson Community Fund

The Barratt Foundation also continued to support the Barratt and David Wilson Community Fund throughout the year. This enables each of our divisions and Group offices to support local charities that really matter to them by donating £1,000 to a different local charity each month. Building on this, and reflecting the challenges faced by many over the Christmas period, the Barratt Foundation also provided an additional £5,000 to each of the Group's divisions and offices to further support local charities such as hospices, foodbanks and homelessness charities. In FY23, the Barratt Foundation is increasing the funding available to the Community Fund by 50%, enabling each of our divisions to donate £1,500 to a different local charity each month.

Employee engagement in our charitable activities

To encourage our employees to raise funds for local causes, the Barratt Foundation matches funds up to £15,000 per division and to £1,000 per employee for employee fundraising. In addition, the Group doubled the number of volunteering days to two per year from the start of calendar year 2022. The Group also partners with Payroll Giving in Action to enable employees to make regular, tax-free donations to their chosen charities. In FY22, Barratt employees and divisions raised £705,589 (FY21: £303,190) for charities and good causes, with an additional £260,055 (FY21: £363,500) provided by the Barratt Foundation in matched funding.

Looking to FY23, the Group has decided to double the available match funding for employee fundraising from £1,000 to £2,000, reflecting the Barratt Foundation's aspirations to further harness employee fundraising efforts and donate more to good causes across the UK.

For more information on the Barratt Foundation, visit www.barrattfoundation.org.uk.

Current trading and outlook

| | 28 August 2022 | | 29 August 2021 | | Variance % | |
|---------------------|----------------|---------------|----------------|---------------|------------|--------|
| | £m | Homes | £m | Homes | £m | Homes |
| Private | 2,421.5 | 6,467 | 2,331.1 | 6,851 | 3.9 | (5.6) |
| Affordable | 1,079.6 | 6,658 | 1,250.9 | 7,835 | (13.7) | (15.0) |
| Wholly owned | 3,501.1 | 13,125 | 3,582.0 | 14,686 | (2.3) | (10.6) |
| JVs | 307.8 | 933 | 261.4 | 716 | 17.8 | 30.3 |
| Total | 3,808.9 | 14,058 | 3,843.4 | 15,402 | (0.9) | (8.7) |

Our strategy, provided the economic backdrop remains supportive, centres on growing our completion volumes to our new medium-term target of 21,500 homes. In recent years, we have acquired land at a minimum 23% gross margin. Through our ongoing focus on operating efficiencies and growth in home completions, we continue to target a minimum 25% ROCE in the medium term.

Market fundamentals remain strong, reflecting the continued imbalance between housing supply and demand, as well as good mortgage availability.

We entered FY23 with a strong forward sales position and at 28 August 2022 we are 55% forward sold with respect to private wholly owned home completions for FY23 (29 August 2021 for FY22: 59%) with 59% of the private order book exchanged (29 August 2021: 56%). As at 28 August 2022 forward sales were at 14,058 homes (29 August 2021: 15,402 homes) and a value of £3,808.9m (29 August 2021: £3,843.4m).

Net private reservations per active outlet per average week for the 8 weeks ended 28 August 2022 were lower than last year at 0.60 (FY22: 0.82) and below the 0.70 for the equivalent period in FY21. In part this reflects limited availability of homes for early occupation given our strong forward order book, as well as heightened macro-economic uncertainty.

As the land market has become increasingly competitive, our land approvals in the new financial year to date are lower than in FY22, reflecting our strong land bank position and disciplined application of our minimum hurdle rates of 23% gross margin and 25% ROCE.

Construction activity is on track to deliver planned output growth in FY23 with 366 equivalent homes per average week built to date in the new financial year (FY22: 335 homes).

Based on current market conditions, we expect to grow total home completions to between 18,400 and 18,800 homes in FY23, including c. 750 home completions from our JVs, whilst ensuring we maintain our

industry-leading standards of build quality and customer service.

The completion profile in FY23 will reflect the phasing out and timing of legal completions under the Help to Buy scheme, which must be completed by 31 March 2023. We currently estimate that c. 45% of our full year completion guidance will be delivered in the first half of the new financial year, with c. 55% scheduled for completion in the second half.

On the assumption that house price growth moderates over the coming months, whilst build cost inflation continues at between 9% and 10%, we would anticipate that our gross margin will move towards our minimum medium-term gross margin hurdle rate of 23%.

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

Looking ahead, we recognise that significant macroeconomic uncertainties remain, most notably around inflation, energy costs and interest rates, and their impacts on UK economic growth, employment, and consumer confidence and spending. International incidents, notably the ongoing conflict in Ukraine, could also disrupt global supply chains and further affect confidence at home.

The Board will continue to monitor and respond to changes in the market and the wider economy, but believes that our operating performance, forward order book and very strong financial position provide us with both the resilience and flexibility to react to changes in the operating environment in FY23 and as the market evolves thereafter.

David Thomas
Chief Executive

6 September 2022

Chief Executive's statement CONTINUED

Building Sustainably

We are determined to continue to be the leading national sustainable housebuilder. To enable our business to grow and prosper against the backdrop of climate change, biodiversity loss and growing inequality, we need to constantly evolve and adapt our approach. We do this through a strong understanding of our customers' and wider stakeholders' needs, high standards of governance and a culture of responsibility.



Our Building Sustainably framework

Our Building Sustainably framework brings together our sustainability ambitions, targets, activities and metrics to ensure that important issues and solutions are embedded in our everyday business decisions and the actions we take. During the year, we have further invested in the tools and programmes to support our business, measure our performance and ensure we are making progress towards our targets. Our framework is built around three pillars: Nature, Places and People. These pillars cover the material issues for our business and are informed by industry understanding, as well as the opinions and challenges offered by our stakeholders.

How we manage sustainability

We have a clear process – from issue identification to operational delivery of action plans – across each of our framework pillars and their corresponding priorities. This allows us to create supporting work streams that drive our implementation plans and create accountability around each issue. A governance structure, embedded across the business, underpins the framework.

The Board delegates day-to-day delivery of our framework to the Executive Committee, which is supported by operational cross-business working groups. Regular monitoring of targets enables us to continually identify and re-prioritise areas for improvement.

Our Sustainability Committee is required to meet at least four times a year to debate, review and scrutinise the sustainability strategy and monitor the delivery of implementation plans. More details are available on pages 99 to 104.

Our performance – delivering on our commitments

We have made good progress on reducing waste across our business – see page 28 for more details.

We have a strategy and transition pathway in place to achieve our net zero carbon goal by 2040 – see pages 58 to 71 for more details.

In FY22 our market-based carbon emission intensity for scopes 1 and 2 reduced by 14% to 1.53 tCO₂e/100m² (2021: 1.78 tCO₂e/100m²). Scope 1 and 2 absolute emissions have reduced by 23% compared to 2018 levels, driven by progress in our reduction initiatives:

- Electric or plug-in hybrid vehicles now comprise 41% of our company car fleet;
- Offices where we are responsible for the electricity supply are now on renewable tariffs;
- We continue to reduce the use of diesel generators on sites by securing grid connections as early as possible;
- For those generators and telehandlers in operation, we are trialling the use of alternative fuels (hydrotreated vegetable oil) on just over 10% of our development sites; and
- We are ensuring that all plant on sites are the most fuel efficient available to us in the market.

We have recently completed a programme embedding biodiversity best practice across all our regions, as part of our work to achieve biodiversity net gain ahead of legislation.

During the year, we appointed a new Head of Diversity and Inclusion, and we are in the process of developing a new strategy and action plan to help us achieve our ethnic minority and gender ambitions, as well as broaden the scope and reach of our diversity targets.

We are making good progress on our work on human rights to address the breadth and depth of issues that extend across our value chain – see pages 32 for more details.

Our full performance table is included on page 102, and additional in-depth data detailing our performance across our framework is available at <https://www.barrattddevelopments.co.uk/building-sustainably/performance-data/data>.

On pages 22 to 33, you can read more about our issue-specific approaches and performance outcomes within the strategic priority section.

Supporting global goals at a local level

Nationally, our framework aligns with the UK Government's 2050 net zero greenhouse gas emissions commitment and its 2025 Future Homes Standard. At a global level, our framework aligns with nine of the UN's 2030 Sustainable Development Goals (UN SDGs), shown below.

Our Building Sustainably framework has been created as a 'living framework', one that will evolve to pre-empt, meet and exceed the evolving sustainability risks and opportunities faced by our business and identified by our stakeholders.

On our website, we detail how the UN SDGs inform our framework and decision making, and how we are driving change against these priorities.

<https://www.barrattddevelopments.co.uk/building-sustainably/stakeholder-engagement/un-sustainable-development-goals>

We became a signatory to the UN Global Compact in July 2021 – a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals.



Transparency

Our disclosures are critical for meaningful industry-wide improvement around sustainability. We are committed to continuously enhancing our disclosures to meet evolving stakeholder needs. As a result, we make information on our strategy, targets and performance publicly available through our website and other publications. We also complete a variety of benchmarks and indices throughout the year. These disclosures enhance transparency in key areas that are relevant to us and important to our stakeholders. They help us to align with global and local priorities and identify performance gaps, and therefore gives us a clear indication of where our efforts need to be directed.

In the year, we made improvements to our CDP score. CDP is a comprehensive and widely recognised global benchmark for many stakeholders, including investors. In 2021 we secured A- and B respectively for Forests and Water, and retained our A-score for Climate, making us a top-scoring company in the housebuilding sector.

The Sustainability Accounting Standards Board (SASB) is an independent not-for-profit organisation that sets standards to guide the disclosure of financially material sustainability information of companies. Our disclosures are based on criteria specific to the housebuilding sector. We have also maintained our Low Risk and Prime Status in both the Sustainalytics and ISS indices respectively, and scored in the upper quartile for FTSE4Good.

More information on our inputs to benchmarks and indices is on our website: <https://www.barrattddevelopments.co.uk/building-sustainably/performance-data/sustainability-indices-benchmarks>.

Awards and recognition

We continue to be recognised for our work through awards and commendations, both within the housebuilding industry and beyond.

- For the NextGeneration sustainability benchmark, we were the highest scoring national housebuilder and we received both the Gold Award and the Crystal Award. The latter recognises the transparency and quality of our sustainability reporting for the second time.
- We received the Sustainable Housebuilder of the Year Award at the Housebuilder Awards 2021.
- We received the Highly Commended Award for the Zed House at the Business Green Leaders Awards in June 2022.

Collaboration through partnerships

Through collaboration and long-term partnerships, we can deliver greater social, environmental and economic benefits for our partners, communities, business and the wider industry.

As part of our determination to maintain our position as the leading national sustainable housebuilder, we recognise that we cannot achieve our ambitions alone. As a result, we commit to and invest resources in long-term partnerships, which include our:

- unique national partnership with the RSPB;
- collaboration and research with the University of Salford; and
- position as the first national partner to join the Supply Chain Sustainability School and chairing of the Homes Leadership Group.

We continue our engagement with the UK Green Building Council to respond to the most pressing environmental challenges, and we work closely with Government departments to support the low carbon and skills agenda and ensure regulations drive sustainable growth.

1.53
tCO₂e/100m² MARKET-BASED CARBON EMISSIONS INTENSITY
(2021: 1.78)



David Wilson Homes at Canalside, Wichelstowe

Chief Executive's statement CONTINUED

Building Sustainably

During the year, people inside and outside our business have played a vital role in delivering against our commitments and supporting our ambitions. We are proud to see the influence we have across the industry, and the positive and lasting impact of our work on our customers and communities. These examples also demonstrate how the outputs of our work contribute positively to the UN SDGs.

Making greener cheaper

In order for the UK to meet its net zero targets, the public needs affordable and sustainable homes.

A home with an A or B rated EPC (Energy Performance Certificate) can unlock energy savings of 65% when compared with existing homes rated D or below, which account for around two-thirds of existing homes in the UK.

Of all Barratt homes, 99% are EPC A or B rated, and we are working with lenders, Government and industry experts to promote green mortgages. These recognise the energy efficiency advantages of new homes to make them a mainstream option for homebuyers, helping to change consumer behaviour.

Andy Mason, Head of Strategic Partnerships and Housing at Lloyds Banking Group, believes that innovation in green mortgages, including the incorporation of the energy

efficiency and energy cost savings in affordability assessments, is the stimulus needed to create demand for sustainable, efficient housing:

“As we should expect with such a high profile and important topic, there’s a huge amount of activity on sustainability in housing right across the market. Lenders are thinking about how to improve EPC ratings of properties in their mortgage books, builders about how to meet new efficiency standards and homeowners facing massive increases in energy bills.”



Andy Mason
Head of Strategic Partnerships and Housing at Lloyds Banking Group.

Waste is everyone's business

The construction industry is one of the UK's largest users of natural resources and produces significant amounts of waste.

In FY22 our waste management policy has encouraged on-site waste segregation, reuse of materials and efficient use of materials to reduce wastage. In FY23 we are again incorporating a construction waste target in the annual bonus scheme.

Adam Breakspear, Senior Site Manager at David Wilson Homes, Kingfisher Meadows, Witney, has implemented all aspects of the Group on-site waste reduction strategy. This has been significant in reducing the development's waste intensity by 45% in FY22.

The business is also pursuing additional initiatives, such as those identified by

graduates from our ASPIRE programme, including the use of reusable and flexible flooring cassette systems.

“Our focus on implementing the waste policy has been pivotal, together with introducing a culture that understands the opportunities to reduce our waste intensity, improve segregation and overall management of our waste that arises on site. We deliver regular toolbox talks to sub-contractors and undertake frequent reviews of our waste.”



Adam Breakspear
Senior Site Manager at David Wilson Homes

Every job has the potential to be low carbon

The housebuilding industry needs to support the necessary supply chains to develop the skills and construction practices to consistently deliver high-quality homes that incorporate low carbon heating and high levels of energy efficiency.

The UK needs more skilled workers to manufacture and install heat pumps, hydrogen boilers, wind turbines and solar panels, as well as insulate homes and buildings.

Andy George, Group Head of Talent, is a member of the Green Jobs Taskforce, convened by ministers from the Department for Business, Energy and Industrial Strategy (BEIS) and Department for Education (DfE).

Our Chief Executive has joined the Green Jobs Delivery Group – the country's first dedicated group for creating UK green job opportunities and supporting the delivery of up to 480,000 skilled green jobs by 2030.

“The Green Jobs Taskforce brought together government, industry and education providers at a timely moment, to help develop clear recommendations and tangible actions that will ensure we have the skills and capability to build a low carbon economy at the scale and pace required.”



Andy George
Group Head of Talent

Bringing sustainable construction to life in schools

There is an ongoing shortage of people entering or considering a career in construction and the built environment, particularly women and those from ethnic minority backgrounds.

Our 'Insight House' on our Heritage Grange development in Warwickshire is designed to make the concept of sustainable housebuilding accessible to young children.

The house features information about the different roles involved in housebuilding as well as extensive wall displays explaining the construction process and the principles and practices we follow to minimise the impact of development, and provide homeowners with more energy-efficient homes. There are also videos, games and cutaways that show inside the workings of the house. The Insight House is now available for other schools, clubs and societies to tour.

The positive feedback on the Insight House has led us to consider other opportunities to recreate this across other regions.

“The children loved their visit to the Insight House. They've been learning about sustainability in their geography and science lessons, so it was great to actually go out and see how some of the topics are present in a real-life setting. They all have a much greater awareness now of how important the environment is and what they can do to help protect it.”

Cassie Cox,
a teacher at Lighthorne Heath Primary School.



Insight House

Chief Executive's statement CONTINUED



Strategic priorities: **Customer first**

Progress

Customer service

We have an absolute commitment to quality and customer service. Throughout the year, we have continued to identify and drive improvements to the customer journey.

We are the only major housebuilder to have been awarded the maximum 5 Star rating by our customers in the HBF customer satisfaction survey for 13 consecutive years, where more than 90% of our customers said they would recommend Barratt to a friend.

Sustainability is a growing consideration for potential homebuyers, who are increasingly interested in the energy efficiency and running cost of the homes we build, the enhancements to the environment in and around the developments we create, and the lifestyle and wellbeing benefits – both mental and physical – that our homes can create for our customers.

Customer surveys during the year highlighted that 70% of buyers said it was important to know about their developer's environmental credentials, and we have further extended our programme of customer research to cover the specification of future homes so that we can capture potential customers' views and ensure we fulfil our commitment of putting the customer first.

The New Homes Quality Code

During FY22, the following have been launched: the New Homes Quality Code (NHQC; the "Code") and the New Homes Ombudsman Service (NHOS), as well as the introduction of the process to register with the New Homes Quality Board (NHQB). We welcome the Code, which covers the period from initial enquiry through to completion, and then two years post-occupation. The Code aims to build upon existing protections for homebuyers.

The most significant changes include a requirement to deliver a complete new home, which the customer will have the opportunity to visit and appoint a suitably qualified inspector to carry out a pre-completion inspection on their behalf, before they take ownership. Post-completion, there are new obligations on the housebuilder to meet rigorous complaint resolution timescales. We intend to activate the Code in the first half of FY23. The Code is centred on the principle of fairness, not simply achieving technical standards.

Reflecting our absolute commitment to put the customer at the heart of everything we do, and our leading position around build quality and customer service, we have been active throughout the year in delivering additional training and investment across all functions to ensure that, with these changes, we continue to lead the industry and deliver exceptional customer service.

Energy and water efficiency reduce new home costs and improve sustainability

We are continually striving to improve the energy efficiency and sustainability of our homes, and are adapting our home designs in response to Building Regulations and the subsequent changes within the Future Homes Standard, whilst keeping the customer experience at the forefront of all design decisions. Our aim is to build high-quality homes that optimise internal space and deliver excellent energy efficiency, resulting in lower lifetime costs for our customers.

In FY22, 99% of our home completions were EPC rated A or B (FY21: 99%), a level of energy efficiency shared by just 11.6%¹ of all housing stock. Many customers are recognising that owning a new energy efficient home can deliver dramatic annual energy cost savings.

Mortgage accessibility

Through their own sustainability initiatives, UK mortgage lenders are increasingly engaging with the housebuilding industry regarding green mortgages. During the year, we supported a Halifax green mortgage pilot to help homebuyers seeking to purchase our energy efficient new homes. The pilot provides an increased mortgage loan size based on improved affordability, through reduced home running costs. We will continue to engage with mortgage lenders in the year to see how we can help create more competitive and attractive mortgage products for our customers, reflecting the energy efficiency advantages created by our new homes.

With the phase out of the Help to Buy scheme in March 2023, "Deposit Unlock", an industry-sponsored scheme piloted with the Newcastle Building Society, was launched during the year. This scheme provides homebuyers with access to 95% LTV (loan to value) lending with help from an insurance premium funded by us. The Nationwide Building Society joined the Deposit Unlock scheme in November 2021, and we currently anticipate more lenders will join the scheme as Help to Buy draws to a close. We are continuing to explore alternative ways to improve mortgage availability for our customers.

Supporting our Armed Forces

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

¹ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-energy-performance-of-buildings-certificates> Table D1

Risk key:

- A** Economic environment, including housing demand and mortgage availability
- B** Land availability
- C** Government regulation and planning policy
- D** Construction

- E** Availability of raw materials, sub-contractors and suppliers
- F** Safety, health and environment
- G** Attracting and retaining high-calibre employees
- H** Availability of finance and working capital

- I** IT
- J** Climate change
- K** Significant nationwide unexpected event affecting multiple locations

Key material issues

Customer communication and service ensuring we meet and exceed the requirements of the New Homes Quality Code.
Affordability and mortgage access for our customers.
The lifetime performance of the homes we build.

KPIs

HBF Customer satisfaction survey
HBF 5 Star
(FY21: HBF 5 Star)

Risks

A I J
K L

Objectives



Short term – 1 year

We will ensure a successful activation to become a Registered Developer with the New Homes Quality Board.

Medium term – up to 3 years

We will continue to roll out our improved CRM system and deliver an online portal for our customers.

Long term – 3+ years

We will continue to work with mortgage lenders and Government to develop green mortgages that recognise the environmental and energy cost savings of our homes.



In search of family space, energy savings and green open spaces



Vanessa Wilcox, a Chartered Company Secretary, and her husband Lawrence, a personal trainer, recently purchased a new home at Eldebury Place, Chertsey. After enduring a lengthy lockdown in a flat with a newborn baby and their three-year-old dog, Vanessa and Lawrence decided something had to change.

"We put our flat on the market and it took four months to sell, which was a real worry. By the time we had the cash, we were keen to make a quick move and knew that we wanted to purchase a new build home. At the time, Barratt was also offering a deposit contribution, which meant we were able to get a slightly smaller mortgage than expected too. The thought of moving into a brand new home with a baby was very appealing, as we knew we didn't want the stress of having to paint or decorate an older property."

"Fitness is really important to us as a family, and moving to Eldebury Place will allow us to pursue this more, both personally and professionally, thanks to the green open spaces."

We were also drawn to the energy efficiency credentials that go hand-in-hand with a new home – much lower energy bills and a warmer house. Since moving in, we have especially enjoyed having our own outdoor space. To go from nothing to such a lovely garden is a huge bonus, and it's made the world of difference to our quality of life."

An added bonus for the couple is that Lawrence is planning to expand his personal training business in Chertsey.

Chief Executive's statement CONTINUED



Strategic priorities: Great places

Progress

Securing land supply through planning expertise

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

We continue to develop our strategic land bank portfolio, which encompasses some 15,537 acres, equating to 91,440 plots, for longer-term development. Our strategic land bank and strategic land team have been complemented by the acquisition of Gladman Developments in January 2022. Gladman has brought an excellent team of planning and land promotion specialists into the Group, as well as a promotional land portfolio of 406 sites, equating to an estimated 98,078 plots. Further details can be found on page 37.

Bringing land through the planning system and into production is the foundation of our future performance. The NPPF, first published in 2012 and amended in 2018, sets out the planning policies for England. This system, and the separate planning rules applied in Scotland and Wales, provide the basis for the delivery of a sustainable supply of consented sites.

Despite the continuing challenges posed to planning, notably by periods of lockdown-induced delays and resource constraints on many local planning departments, we have maintained solid momentum in securing planning consents. During the year, we achieved planning on 14,988 plots (FY21: 14,280 plots). We have detailed or outline planning permission on all FY23 expected home completions and 93% of expected home completions for FY24.

Built For Life

Placemaking principles are fundamental to our business, our customers want to live in great places that create a positive legacy. Our internal Great Places design principles are aligned to the Government-endorsed 'Building for Life 12' criteria and the updated 'Building for a Healthy Life' standard, which incorporates additional health and wellbeing criteria. As a result,

Great Places now puts greater emphasis on development design to support good physical and mental health and wellbeing.

We shape our developments around existing ecology, green spaces, walkways and cycle paths to encourage social interaction and a sense of ownership and appreciation of the surroundings created.

Biodiversity

Biodiversity Net Gain (BNG) is an approach to development whereby the location's biodiversity is left in a measurably better state than if the development had not taken place. Our national rollout programme to embed biodiversity best practice across our regions was completed in the year. We are committed to demonstrating a minimum BNG of 10% for all development designs submitted for planning from January 2023, ahead of the legislation making BNG of 10% mandatory from mid-November 2023.

Since 2014, we have worked in partnership with the RSPB, Europe's largest nature conservation charity, to inform best practice in designing wildlife-friendly developments and increase awareness of the importance of biodiversity. Together we have produced wildlife-friendly landscaping and guides for our design teams and customers, and launched Nature on your Doorstep, a national campaign full of hints and tips on how to help wildlife thrive.

Continually evolving housetype design

Both our Barratt and David Wilson Homes brands have a range of standard house types, with the most popular and build-efficient housetypes making up our core ranges. We continually review, evolve and optimise our housetypes in response to feedback from our customers, sales and construction teams, as well as reflecting future legislative changes and our own targets. All changes are also informed by our target that all our housetypes will be net zero carbon in use from 2030.

Our Group Design and Technical team continue to develop plans to ensure our housetypes are adapted for interim changes to building regulations from June 2022, and then to meet the full Future Homes Standard from 2025. These changes require us to deliver initially

31% and subsequently 75–80% emission reductions relative to current standards. We are also ensuring we meet or exceed the different legislative requirements in Scotland and Wales. On page 29, we detail a case study at Delamare Park in Somerset, where we are developing our first off-grid development, installing air source heat pumps, which will be required from 2025.

Our housetype evolution also seeks to ensure revised designs can be constructed in either traditional or timber frame format, recognising the advantages of MMC and our commitment to incorporate offsite-based products and systems in 30% of our home completions by 2025.

Our standard housetypes comprised 77% of homes completed in the year (FY21: 65% of homes completed) and feedback from both our customers and our build teams continues to be positive.

Water efficiency

Water efficiency is becoming increasingly important, and we recognise we have a responsibility to mitigate against future risk of geographical water scarcity and flooding, by increasing water efficiency in our homes and across our developments. Since summer 2021, all of our new homes have been built to a water use standard of 105 litres per person per day, creating the potential to reduce consumption by 26% compared to the national average.

In FY22, 72% (FY21: 68%) of our developments used above-ground, landscape-led Sustainable Urban Drainage Systems (SUDS), which manage surface water volumes and flow rates, reducing the impact of urbanisation on flooding.

Operationally, we are committed to reduce water use in our sites and throughout our estate. Currently, 58% of our operational sites have metered water supplies, so a critical first step in our operational water strategy is to improve our measurement of our baseline water use across our site-based activities. As a result, we have agreed a metering rollout plan commencing in FY23 to ensure we have an accurate measurement of baseline water consumption.

Key material issues

Securing sufficient land with planning consent to support future activity and growth.
The lifetime environmental performance and biodiversity of our developments.
Housetype evolution to meet changing customer demands.

KPIs

Net land approvals (plots)
19,089 (FY21: 18,067 plots).
Owned and controlled land bank
4.7 years (FY21: 4.7 years)

Risks



Objectives



Short term – 1 year

We aim to approve high-quality land plots across the country on a replacement basis through our disciplined approval process whilst also delivering our 10% BNG commitment on all new planning submissions from February 2023.

Medium term – up to 3 years

We will refine and evolve our housetypes to meet the demands of the FHS and continue to invest in developing our house types to deliver zero carbon in use from 2030.

Long term – 3+ years

We will maintain our focus on leading the development of sustainable places that satisfy the country's need for more housing whilst creating a positive economic, social and environmental legacy.



Hollygate Park, Cotgrave, Nottinghamshire

The Cotgrave Colliery opened in the 1960s and employed more than 2,000 miners at its peak. But with the demise of coal production in the East Midlands, the colliery closed in the 1990s. The 34-hectare pithead site then lay derelict for more than 20 years. In 2012, we were selected by the Homes and Communities Agency (HCA) as preferred bidder for Cotgrave Colliery's redevelopment. Construction work then began in December 2014.

Extensive green spaces

One of the main objectives of the development was to use the existing adjacent Cotgrave Country Park to influence the look and feel of the main spaces for the community. Homes were positioned to benefit from views of several central green spaces including the central green core, village green, play area, orchard and community gardens, as well as access to the country park.

Supporting nature and local habitats

The plentiful public green spaces knitted throughout the development were designed to be rich in biodiversity and involved saving and relocating existing habitats prior to work commencing on site, as well as the creation of new habitats:

- butterfly bunds were created using materials from the former colliery for the rare species that had settled in the derelict site;
- several grassland species and other flora were relocated into the country park;
- rich, biodiverse grasslands and native shrubs were planted around the development;
- bat boxes and swift bricks were installed directly into homes; and
- an artificial otter holt was created within one of the woodland blocks.

Sustainable drainage

We also took a sustainable approach to drainage at Hollygate Park, which made use of the existing 'Heron Lake' in the country park, along with introducing new,

landscape-led sustainable drainage systems to ensure that the quality, rate and quantity of water discharged from the site are all carefully controlled. In addition, to help protect and preserve water, filter strips, filter trenches, permeable paving, trapped gullies and rain water butts were also installed throughout the development.

Community planning

Another key feature at Hollygate is the inclusion of community allotments, placed directly in the street space to encourage community interaction. A designated composting area was installed in the allotment area to reduce waste and encourage environmentally friendly behaviours. There are also two play areas in the development, accessible to new and existing residents.

To reduce the volume of cars around the development and to encourage alternate travel, we have installed three 'pedestrian only' areas, and clearly defined cycle links between the development, the country park and the Grantham Canal. We have also installed more traffic calming features to roads.

Chief Executive's statement CONTINUED



Strategic priorities: **Leading Construction**

Progress

Construction activity

It is a testament to the strength, experience and commitment of our construction teams, sub-contractors (many of whom have worked with us for a number of years) and supply chain partners, that we have successfully grown our construction activity in the year. Despite supply chain challenges and constraints around materials availability for many parts of the construction sector, our site teams delivered a 13.2% improvement, constructing 352 equivalent homes, including JVs, each week in FY22 (FY21: 311 equivalent homes each week).

Build quality

This year, we have – once again – demonstrated our absolute commitment to build quality. Not only did our construction teams successfully deliver growth in construction output, despite the supply chain challenges, they also delivered construction quality scores, measured by the NHBC, that continue to lead the industry. The Group achieved an average 0.13 reportable items (RIs) per NHBC inspection (FY21: 0.12 RIs), the lowest of all major housebuilders (those who build more than 1,000 homes annually).

Site management excellence recognised for a record 18th year

Our commitment to build quality and site management was, once again, demonstrated by our success in the NHBC Pride in the Job Awards, which recognise site managers who achieve the highest standards in housebuilding across the UK.

At the 2021 Regional NHBC Pride in the Job Awards, in the Autumn, 31 site managers won "Seals of Excellence" and our site managers secured five of the ten 2021 Regional Awards where we operate in the "Large Builder" category. At the subsequent NHBC Pride in the Job Supreme Awards in January 2022, Henry Patecki, Site Manager at Wigston Meadows in our East Midlands division, was runner up in the Large Builder Category. Barratt David Wilson site managers have won the supreme award five times and been runner up two times in the past seven years.

Finally, in June, at the 2022 National NHBC Pride in the Job Awards, 98 site managers secured awards, more than any other housebuilder for the 18th consecutive year. No other major housebuilder has achieved

this level of success and recognition for build quality on safe and efficient sites across the country. All our sites operate under the Group's certification to the Environmental Management System standard, ISO 14001, and Health and Safety standard, OHSAS 18001.

Innovation

We delivered 4,846 homes using MMC equating to 27% of our total home completions (FY21: 4,393 homes and 25% of total home completions). MMC provides opportunities to build with greater speed and efficiency, mitigate the impact of the skills shortage facing the industry and diversify the types of materials we use. This table details the various MMC used across our total home completions.

| MMC | FY22 | FY21 |
|-----------------------------------|--------------|--------------|
| Timber frame | 3,736 | 3,003 |
| Roof cassettes | 194 | 696 |
| Offsite ground floors | 614 | 360 |
| Large format block | 226 | 334 |
| Light gauge steel frame | 76 | - |
| Total* | 4,846 | 4,393 |
| Percentage of completions* | 27% | 25% |

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

Timber frame growth

A key dimension to both our MMC and carbon reduction strategy is the delivery of an increased share of timber frame homes. Timber frame provides an efficient method of construction with lower levels of embodied carbon. Our core English house types have been designed so they can be built using either traditional brick and block or timber frame construction, and we delivered 3,006 (FY21: 1,638) timber frames from Oregon, our timber frame manufacturer, to our sites this year.

We are targeting the use of offsite-based products and systems in 30% of our home completions by 2025. The continued adoption of timber frame construction in England will be a significant contributor to meeting this target. The Group's additional investment in a new timber frame facility near Derby, scheduled to begin production in FY24, will be important in further expanding MMC and specifically our timber frame capacity looking to 2030.

Reducing waste

The housebuilding industry is continuing to experience high levels of demand for materials, many of which cause environmental and social impacts in their extraction, manufacture and transport, so it is critical that resource efficiency and waste reduction remain clear priorities. As a result, waste intensity reduction was, for the first time, included in annual bonus arrangements across the Group at the start of the year. Through the combination of a dedicated Group Waste Project Manager, enhanced waste monitoring through monthly reporting, detailed action plans and incentives, we have delivered a further improvement in our waste intensity with a 15.6% reduction to 4.97 tonnes per 100m² of legally completed build area (FY21: 5.89 tonnes per 100m² legally completed build area). In the year, our absolute waste tonnage decreased by 15.5% (FY21: increased by 2.7%).

In FY23, management annual bonus incentives will continue to include waste intensity reduction targets to ensure the Group continues to effectively manage waste and resources in the long term.

We continue to promote the efficient use of skips and segregation of waste across our business; our diversion of waste from landfill increased during the year to 96% (FY21: 95%). In FY22, more than 30,000 paint tins across our sites were recycled (FY21: more than 10,000), and 366,408 pallets, used in the supply of building materials to site, were recycled (FY21: 243,057 pallets).

Lightweight compactible materials remain the largest portion of our remaining waste, particularly plastic and packaging materials. To help identify further waste reduction opportunities, we undertook supplier engagement workshops during FY22 with 17 suppliers. These workshops highlighted the potential to reduce packaging waste through specific approaches in conjunction with site best practice and procedures to minimise damage to building materials in transit. Several initiatives were suggested and are being investigated and trialled during both FY22 and FY23, to identify which will be best suited for implementation in the future.

Key material issues

Delivering best in class health and safety across our operations.
Ensuring availability of building materials.
Build quality monitoring throughout the build process.
Reducing waste and carbon emissions.

KPIs

Total home completions
17,908 homes
(FY21: 17,243 homes)
Waste intensity per 100 sq.m. of legally completed build area
4.97 tonnes (FY21: 5.89 tonnes)
SHE Score
97% (FY21: 97%)

Risks



Objectives



Short term – 1 year

We will target a further increase in our construction activity to deliver incremental output in line with our targeted growth in completions for FY23.
We will seek a further reduction in waste intensity.

Medium term – up to 3 years

We will accelerate the roll out of MMC to deliver 30% of total home completions from MMC by 2025.
Our additional timber frame capacity, currently under construction, is scheduled to become operational in FY24.

Long term – 3+ years

We are continuing to invest in research and development to ensure our homes will be zero carbon homes in use from 2030 and all our direct operations will be net zero by 2040.



Delamare Park, Frome, Somerset

Our first off-grid development using air source heat pumps

As the leading national sustainable housebuilder and independent of regulatory changes, we have committed to building homes that are zero carbon in use from 2030.

Our Delamare Park development near Frome in Somerset is an important step on our journey towards building our homes and developments to meet this commitment. It is our first development with no gas supply or gas connection on site.

All properties at Delamare Park are fitted with Mitsubishi Electric's ultra-quiet Ecodan air source heat pumps, which can operate at temperatures as low as -20°C, have an ErP rating of A++ (under the Energy-related Products Directive) and can be controlled remotely via smartphone, tablet or computer.

Enhancing our understanding

Delamare Park has involved new learning and understanding – most notably around procurement, construction, quality control and sales.

This has involved new suppliers, changes to build programming and building quality controls, as well as education and feedback from our sales team and potential homebuyers.

Using cloud-based technology, the air source heat pumps can also access remote maintenance and technical support. In contrast to traditional gas boilers, which are the largest contributor to household carbon emissions, air source heat pumps require only water and electric connection, and deliver a clean, highly efficient and, with a renewable electricity supply, an emissions-free way of meeting a home's heating and hot water requirements.

We also want to understand the performance and impact of this new technology once our customers are living in these homes. As a result, we are monitoring the performance of several homes at Delamare Park over the coming 12–18 months to provide us with in-depth technical data on how the air source heat pumps are performing through the different seasons. This will be complemented by regular homeowner questionnaires and

feedback to understand how homeowner behaviour affects air source heat pump performance.

“The number of properties which have already been reserved is testament to how keen consumers are to reduce their carbon footprint. We are proud to lead the way, not just within our business, but across the wider new-build industry.”

Cherelle Greenaway,
Technical Manager,
Barratt David Wilson Homes
South West



The David Wilson team at Delamare Park



Chief Executive's statement CONTINUED



Strategic priorities: Investing in our people

Progress

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

The development and training of employees

We are playing our part to address the industry's skills shortage. We have a number of award-winning and well-established development programmes, which have been expanded in the year, with further developments planned in FY23.

In total, we have developed, or are developing, 136 delegates through our Armed Forces transition programme. Skills developed in the Armed Forces transfer well to site management, and the programme has brought a large number of high-calibre individuals into our business.

Our flagship ASPIRE graduate development programme takes around 30 graduates annually. The programme goes from strength to strength, seeking candidates from all degree backgrounds. ASPIRE is designed to provide a broad understanding of our business, coupled with personal and professional development opportunities through a two-year programme, with the aim of creating leaders of the future.

This year, we launched our third degree apprenticeship with Sheffield Hallam University (SHU), in technical design and management. Sitting alongside existing programmes in construction and quantity surveying, this makes us the first housebuilder to deliver degree apprenticeships across the three main build functions. We are also recruiting for candidates to join a fourth degree apprenticeship with SHU in real estate to commence in 2023 – another first for the housebuilding industry.

As highlighted earlier on page 18, the Barratt Foundation also provided SHU students with £111,000 in FY22, in the form of scholarships and bursaries, to support students facing financial hardship during their studies.

Apprenticeships remain a vital route to develop skilled tradespeople for our industry

Our programmes for bricklaying and carpentry apprentices enable participants to achieve apprenticeship level within a reduced timeframe while maintaining the same high standards as before. We also continue to deliver development opportunities for those within our sales and marketing teams. Our schemes focus on bringing new talent to the industry and on retaining it for the future. To date, within the bricklaying and carpentry apprenticeship programmes, 256 apprentices (FY21: 184) have attended, and 102 apprentices (FY21: 174) are due to complete the course in FY23, with a further 160 (FY21: 124) recruited in FY22 for our FY23 intake.

We currently employ 391 apprentices, graduates and trainees (FY21: 426), around 6% (FY21: 7%) of our workforce, reflecting our ongoing commitment to developing future talent.

We continue to actively participate in the Home Building Skills Partnership, which seeks to attract new entrants to our industry, provide skills for the future, and support the supply chain in developing the skills they need to develop and grow with our industry.

We also seek to address skills shortages and prepare for the future by developing our people through access to continuous learning. Our MyLearning mobile app provides colleagues with even more flexibility and choice in how they access and consume learning content. Digital training has increased resulting in this slight drop although supporting our strategic intent of retaining a blended learning approach (programmes delivered through classroom, webinar and digital learning). In the year, we moved training to an 80:20 online: classroom model to provide enhanced training access for our employees.

Identifying and supporting our leaders of the future, along with effective succession planning, are important elements in our long-term success. In FY22, 269 (FY21: 270) high-potential employees have attended or are attending our Rising Stars programme.

How we recruit and retain the best talent

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

We engage with our future workforce through our work with schools, national apprenticeship bodies, universities and Armed Forces resettlement organisations. This includes getting involved with campus activities, attendance at careers fairs and employer-led events. During the year, we also engaged with more than 1,200 schools and colleges that correlated geographically with our divisional offices across the country.

For our FY22 recruitment, 29% (FY21: 23%) of our apprentices were recruited from the most deprived areas according to the Index for Multiple Deprivation. Our Construction and Sales Academy programmes develop talent within our business and we continue to work with the Home Building Skills Partnership.

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

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

Employee engagement

We aim to create a great place to work, founded on an open and honest culture. To achieve this, we engage with our employees to understand and address their issues and concerns. Our 2021 employee engagement survey was completed in October 2021. This survey delivered an engagement score of 79.4% (2020 survey: 84.2%). Whilst we experienced a small decline in the engagement score, this followed a more general pattern observed across employers as a whole through the pandemic.

A full analysis of the employee survey ratings and more than 2,500 narrative comments, informed both regional, divisional and functional action plans, as well as supporting resources encompassing training and development, health and wellbeing, and increased internal communication. Our Workforce Forum, which comprises employees representing all regions and levels of our business, also provides insights to inform our actions. Interim pulse surveys were undertaken on an ad-hoc basis, to follow up on action plans and their impacts. Our next full Group-wide survey will take place in September 2022.

Following on from the engagement survey, a number of new initiatives were agreed in the year, which included:

- increasing the scope of our private medical insurance so it now covers the whole workforce;
- introducing an additional special day's holiday allowance for all employees, to allow them to celebrate a birthday or anniversary; and

- doubling the number of volunteering days from one to two per year, to enhance the opportunities for our employees to support their local charities and good causes.

The Group was also ranked 30th in the "Glassdoor Best Places to Work in the UK" survey this year. This survey is based entirely on unprompted feedback from our employees and we were the only UK housebuilder listed in the top 50 "Best Places to Work in the UK".

Growing employee equity participation in our business

In April 2022, we invited all eligible employees to participate in the 14th grant under the Group's Sharesave scheme, which allows eligible employees to contribute a maximum of £500 per month in one or more Sharesave schemes. As at 30 June 2022, approximately 51% of our employees participated in one or more of the active schemes, compared to 50% as at 30 June 2021.

In recognition of the continued dedication, commitment and loyalty of our employees, in 2021 the Board agreed that an annual share award would be made to all employees below Managing Director level. Accordingly, in July 2022, an award of shares equating to £1,250 (July 2021: £1,250) was made to all qualifying employees. This award will vest in July 2024.

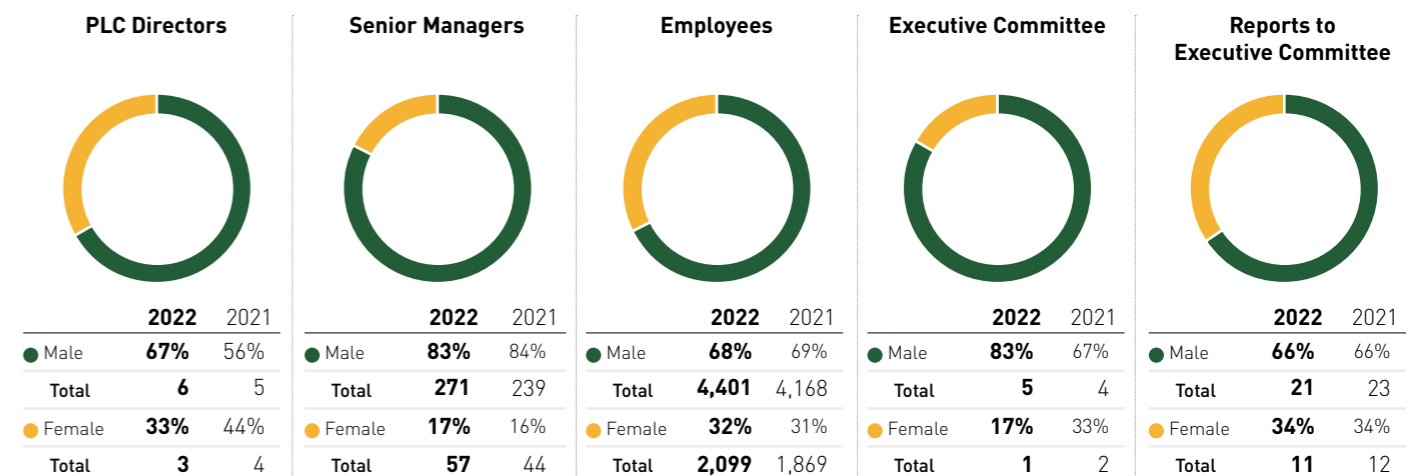
In line with the rest of the sector, our total Group employee turnover increased to 17% for the year to 30 June 2022 (FY21: 12%). Our target over the medium term is 15% and the Group's turnover, prior to the pandemic, ranged from 16% to 18% between FY17 to FY19.

Promoting the physical and mental wellbeing of employees

A key objective for the Group has remained the health and safety of our employees, especially their physical and mental wellbeing. During the year, we continued to progress our health and wellbeing programmes, including health and wellbeing hubs, stress awareness training for employees and mental health first aid and awareness training to encourage openness and appropriate responses between line managers and colleagues.

In FY22, we continued to extend our network of mental health first aiders and we are embedding focused support for these valued volunteers. We extended our partnership with our benefits providers to offer specific financial wellbeing services, as well as high-quality training to support physical and mental wellbeing. Our talent team also continues to provide and further develop regular mental wellbeing webinars.

Male and female employees



Chief Executive's statement CONTINUED

Diversity and inclusion

We aim to create a working environment that provides equal opportunities for all and we are a signatory to the Business in the Community Race at Work Charter.

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

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

All new employees receive mandatory diversity and inclusion training as part of their induction process. However, we recognise that we need to do more to develop greater diversity and inclusion within the Group. A new Head of Diversity and Inclusion joined the Group in FY22 and we intend to accelerate initiatives to further develop the diversity of our workplaces and ensure everyone who works within the Group feels they belong and are comfortable to be themselves.

We have made progress in female leadership representation. We continue to focus on this area through "Catalyst", our development and support programme, to help high-potential female employees develop their careers within the Group. As at 30 June 2022, women held 17% (FY21: 16%) of senior manager roles within the Group. We continue to work towards improving ethnic minority representation. As at 30 June 2022, 7% (FY21: 7%) of employees were from ethnic minority backgrounds and 2.1% (FY21: 1.5%) of senior leadership positions were held by ethnic minority employees.

Our employee networks have also become an increasingly important way for us to create a more open and inclusive business, and enables us to listen directly to the needs of our people. Our networks include groups to connect parents, LGBTQ+ colleagues and allies, and "Barratt Connect", a group for anyone who has felt isolated or missed the social interaction created by reduced office-based working during the pandemic. We are delighted to have added a group for our colleagues from Ethnic Minority Communities (EMC) this year, and implemented the foundations for a Disabled network who will meet for the first time in July 2022.

A real Living Wage employer

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

Our standard sub-contractor terms and conditions mandate the payment of the real Living Wage within our supply chain. To support this, we have implemented spot checks by divisions on higher risk trades and implemented internal remediation feedback systems. Where we find instances of non-compliance – as we did for one sub-contractor during the year – we require this to be rectified, with follow-up audits conducted to ensure full compliance. For those working in jurisdictions other than the UK, our expectation, included within our contract requirements, is that local statutory minimum wages are paid.

Gender pay gap

In November 2021, we published our annual Gender Pay Gap report. Our mean gender pay gap declined from 6.5% to 6.2%, and the median pay gap declined from 0.2% to (0.4%). The decrease in both measures during the period is largely due to commissions paid to our predominantly female sales teams in the comparator period, whereas most bonuses were cancelled due to the impact and uncertainty caused by COVID-19. This is also reflected in our mean bonus gap which also decreased more significantly from 33.4% to 2.8%, with our median gender bonus gap also falling from (1.4%) to (14.9%).

By early 2023 we will publish both our 2022 Gender Pay Gap Report and, for the first time, our Ethnicity Pay Gap Report, which will be available on our website.

Human rights and anti-bribery

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

This year, we began working on the development of our first human rights policy, undertaking engagement workshops with key Group functions to ascertain internal perceptions of risks and opportunities. We are undertaking a review of the salient issues for the Group in order to finalise the policy and publish in FY23.

Our non-financial KPIs regarding health and safety and employee engagement reflect our belief that it is a fundamental human right to work in a safe and supportive environment. Employees undertake training on modern slavery, and we are continuing the roll-out of diversity and inclusion training to all employees.

We have a strict anti-bribery and corruption policy and conduct our business in a fair, open and transparent manner. All employees are required to undertake regular training on our anti-bribery and corruption policy.

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

David Thomas
Chief Executive

6 September 2022

Key material issues

Promoting the health and wellbeing of our employees.
Recruitment, retention and ongoing development of our employees.
Creating opportunities for careers for young people.
Engagement with our employees and adapting to hybrid working.

KPIs

Employee engagement
79.4%
(FY20: 84.2%)

Risks

G H I
J K L

Objectives



Short term – 1 year

We will focus on retaining and attracting the best people through improved benefits packages, hybrid working arrangements, enhanced training and development initiatives, and an increased focus on employee wellbeing.
We will launch an enhanced diversity and inclusion strategy to accelerate change in this area.

Medium term – up to 3 years

We will broaden our talent pipelines through recruitment programmes and deliver ongoing support to drive greater diversity and inclusion across our workforce.
We will focus on the internal development and promotion of our employees, implementing mentoring programmes to deliver equal opportunities.

Long term – 3+ years

We are committed to ensuring our business is representative of the communities in which we operate.
Our programmes around remuneration, benefits, wellbeing, diversity and inclusion, complemented by training and development, will be continually appraised to ensure we can attract and retain employees with the current and evolving skills we will need over the longer term.



Abigail Stevens, Level 2 Carpentry Apprentice, Barratt David Wilson Yorkshire East

Have you always wanted to work in construction? What led you to a Barratt apprenticeship?

I've wanted to go into joinery since playing with Lego as a little girl. It's quite an artistic job, and very hands on, which suits me. At college, I spent two years studying art, design and technology – including woodwork. After that, I searched online for apprenticeships in my area and found Barratt. I applied and got an interview a week later.

Do you feel like your apprenticeship is preparing you for the world of work?

Definitely! There's tonnes of support, but you are also given responsibility straight away, which makes it easier to learn. The apprenticeship is also really well paid. I am managing to put 50% of my wages away and plan to buy a house a few years after I qualify.

Has the apprenticeship programme with Barratt prepared you for where you want to go?

Ultimately, my dream is to start my own female joinery company.

I would love to train other female apprentices and give them a start in the industry. Loads of elderly or single female customers are wary about having men on their property, so I think a female-only company would fill a big gap in the market!



Chief Financial Officer's review



“The Group is in a very strong position with substantial net cash, and an excellent forward sales position and land bank.”

Mike Scott
Chief Financial Officer

Our financial results have shown continued improvement, moving ahead of our pre-pandemic performance in FY19 across all key financial performance indicators on an adjusted basis. The resilience of our operating model, financial strength, the commitment and dedication of our employees, sub-contractors and suppliers, along with strong demand for our high-quality new homes have all contributed to this year's excellent performance.

Results for the year ended 30 June 2022

Sales activity

We delivered a strong reservation performance in the year with a net private reservation rate per week of 0.81 (FY21: 0.78). In FY22, our sales centres across the country operated on an appointment-only basis.

During the year, we operated from an average of 332 active outlets (FY21: 343), including 7 active JV outlets (FY21: 8). The reduction in average active outlets reflected both the strength of the private sales rate throughout the year, as well as some planning delays on new site openings.

We have made good progress on new site openings, despite the planning delays experienced, launching a total of 118 new outlets (including JVs) in the year in line with our expectations (FY21: 144), with 72 new outlets opened in H2 (H2 FY21: 81). Site numbers, as a result, recovered towards the end of the year and, at 30 June 2022, we were operating from 352 active sales outlets (30 June 2021: 358), including 9 JV outlets (30 June 2021: 8).

| Net Private reservation rate | H1 | H2 | FY |
|------------------------------|-------------|-------------|-------------|
| FY22 | 0.79 | 0.84 | 0.81 |
| FY21 | 0.77 | 0.78 | 0.78 |
| FY22 vs FY21 (%) | 2.6% | 7.7% | 3.8% |

In FY23, we expect to see average active sales outlet growth of around 3%, reflecting both planned outlet growth and the impact of sales outlets that experienced delays in H2 FY22.

Home completions

Total home completions grew by 3.9% in FY22. The continued strength of demand for our new homes, as well as the further improvement in construction activity in H2, drove the growth in home completions in FY22. Total home completions were impacted by the deferral into FY23 of a London apartment block, comprising 221 homes, reflecting external resource-related delays in the third-party building control process. As anticipated, the affordable housing share of wholly owned home completions increased to 22.3% (FY21: 20.5%).

We expect the affordable housing share of our wholly owned home completions to reduce to around 21% in FY23.

| Home Completions | FY22 | FY21 | Change |
|---------------------------------|---------------|---------------|-------------|
| Private completions | 13,327 | 13,134 | 1.5% |
| Affordable completions | 3,835 | 3,383 | 13.4% |
| Wholly owned completions | 17,162 | 16,517 | 3.9% |
| JV completions | 746 | 726 | 2.8% |
| Total (including JVs) | 17,908 | 17,243 | 3.9% |

We experienced a continuous improvement in selling prices through the year, reflecting house price inflation across the country. As a result, our total average selling price (ASP) was £300.2k (FY21: £288.8k), with the private ASP up 4.7% at £340.8k (FY21: £325.5k).

The affordable ASP increased by 8.8% to £159.4k (FY21: £146.5k), reflecting an increased proportion of completions from our outer London operations. We anticipate that the affordable ASP will return to a level similar to that reported in the second half of FY22, at approximately £161k in FY23.

Profitability

Adjusted gross profit improved by 17.3% to £1,308.1m (FY21: £1,114.7m), with the adjusted gross margin advancing 160 bps to 24.8% (FY21: 23.2%). The adjusted gross margin improvement reflected house price inflation ahead of build cost inflation during the financial year and the benefit of completion volume growth, which drove incremental fixed cost efficiency, particularly in H2. In FY22, each home completion delivered a contribution of c. 34% (FY21: c. 32%) after land and direct build costs.

After adjusted items, totalling £408.2m (FY21: £104.7m) relating to legacy property costs and including the £396.4m charge regarding the industry pledge on building safety, gross profit was £899.9m (FY21: £1,010.0m), and gross margin was 17.1% (FY21: 21.0%).

Adjusted administrative expenses in the year were £256.4m (FY21: £201.2m). This increase included:

- increased headcount and acceleration of the annual salary review from 1 July to 1 April 2022;
- the return to normal business activity post pandemic;
- a one-off charge for certain IT assets, previously capitalised, following a review of latest accounting guidelines;
- incremental costs for establishment and operation of the Group's Building Safety Unit (BSU);
- the impact of administrative and integration costs for the Gladman Developments acquisition; and
- a reduction in sundry income.

After deducting adjusted administrative expenses and a modest net gain of £3.1m on part exchange activities (FY21: £5.5m), the Group delivered an adjusted operating profit of £1,054.8m (FY21: £919.0m), with an adjusted operating margin of 20.0% (FY21: 19.1%). The 90 bps improvement in the adjusted operating margin reflected:

- **Completion volumes:** the continued growth in our wholly owned completion volumes, with 3.9% or 645 home increase, created a 10 bps positive impact (FY21: 310 bps positive impact).
- **Net impact of selling prices relative to build costs:** sales price inflation relative to underlying build cost inflation produced a 140 bps positive impact (FY21: 90 bps positive impact).
- **New sites:** the benefit of the Group's minimum 23% gross margin hurdle rate on new land acquisitions and improved build cost performance of our range generated a 50 bps positive impact (FY21: 60 bps positive impact).
- **Mix and other items:** changes in sales mix and other smaller items created a 30 bps negative impact (FY21: 20 bps negative impact).
- **Site extension costs:** these costs arose from the expected extension in site durations due to COVID-19. The improvement in site efficiency through the year and the completion of sites carrying these additional costs created a 20 bps positive margin impact (FY21: 30 bps positive impact).
- **Net administrative expenses:** as detailed above, along with a small decrease in part-exchange income, increased net administrative

expenses deducted 100 bps (FY21: deducted 150 bps) from the adjusted operating margin. In FY23, we expect administrative expenses to increase to c. £300m, reflecting pay increases, a c. £10m cost for the expansion of the Building Safety Unit and investment in our people and IT systems.

Adjusted items recognised during the year were costs associated with legacy properties. The Group incurred an additional £408.2m (FY21: £81.9m) of net adjusted operating costs in the year after recovering £25m from our supply chain partners due to building safety related claims. Of this, £401.7m (FY21: £32.5m) related to fire safety and external wall systems, including a £396.4m charge for the agreement reached with the Government to undertake or fund remediation and/or mitigation works on fire safety issues on all our buildings of 11 metres and above that we have developed or refurbished over the last 30 years.

A further £30.5m (FY21: £49.4m) related to remedial works on reinforced concrete frames at some developments where reviews were completed in FY21 but have been updated for our latest estimate of remediation costs. On a reported basis, we delivered a profit from operations of £646.6m (FY21: £811.1m) and an operating margin of 12.3% (FY21: 16.9%).

Net finance charges were £27.6m (FY21: £26.6m). This £1.0m increase reflected imputed interest on land creditors. The cash component of the interest charge was £8.3m (FY21: £9.7m) with non-cash charges of £19.3m (FY21: £16.9m). In FY23, finance costs are expected to increase to c.

£38m, of which c. £10m is expected to be cash and c. £28m non-cash.

Our JVs delivered profit for the year of £23.3m (FY21: £27.7m). The JV result in FY22 also included an adjusted charge for JV legacy properties of £4.3m (FY21: £0.4m release). Consequently, profit before tax for the year declined to £642.3m (FY21: £812.2m).

The Group's tax charge for the year reduced to £127.1m (FY21: £152.1m), which reflected:

- corporation tax charges for adjusted profit before tax of £200.7m (FY21: £172.5m charge);
- corporation tax credits with respect to adjusted items of £82.5m (FY21: £20.4m credit); and
- Residential Property Developer Tax (RPDT) of £8.8m (FY21: £nil).

The growth in adjusted profit before tax resulted in an adjusted total tax charge of £209.6m (FY21: £172.5m) and was at an effective rate of 19.9% (FY21: 18.7%).

Adjusted earnings per share increased by 12.9% to 83.0 pence per share (FY21: 73.5 pence per share). Basic earnings per share decreased to 50.6 pence per share (FY21: 64.9 pence per share).

Reflecting growth in adjusted profitability and disciplined management of capital employed throughout the year, meant our ROCE improved to 30.0% (FY21: restated 27.8%).

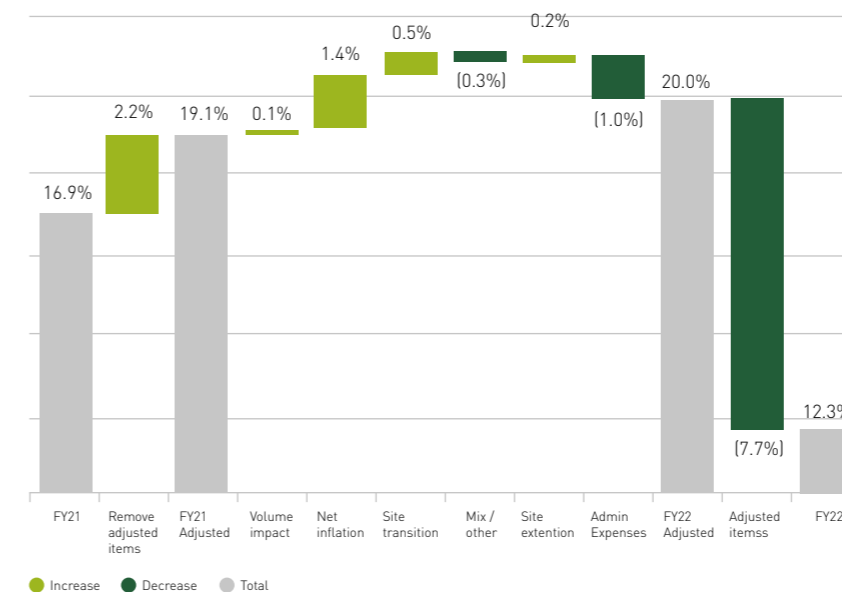
Cash flow

Net cash decreased to £1,138.6m at 30 June 2022 (30 June 2021: £1,317.4m), with the main components being a £417.6m net cash inflow from operating activities (FY21: £1,082.3m cash inflow); a £222.4m net cash outflow from investing activities (FY21: inflow of £13.5m), principally reflecting the £205.6m cash impact of the Gladman acquisition; and a net financing cash outflow of £378.4m (FY21: outflow of £197.0m), principally reflecting dividends paid in the year of £337.0m (FY21: £76.3m).

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

- profit from operations, which reduced to £646.6m (FY21: £811.1m);
- a net cash outflow from working capital and provisions of £118.2m (FY21: £407.0m cash inflow); and
- interest and tax payments, which totalled £140.2m (FY21: £154.5m), including a c. £80m cash tax benefit from the tax relief immediately recognised on the adjusted item provision to the Building Safety Pledge.

Movements in Operating Margin in FY22



Chief Financial Officer's review CONTINUED

The net £118.2m outflow (FY21: £407.0m inflow) for working capital and provisions consisted of:

- a £543.4m increase (FY21: £385.9m decrease) in inventories from growth in land investment and construction work in progress.
- a £20.8m decrease (FY21: £93.1m increase) in receivables, excluding the increase resulting from the acquisition of Gladman;
- a £10.7m decrease (FY21: £62.7m increase) in payables, excluding the increase resulting from the acquisition of Gladman, which consisted of a £75.3m increase (FY21: £133.6m decrease) in land creditors and a £86.0m decrease (FY21: £196.3m increase) in trade and other payables; and
- a £415.1m increase (FY21: £51.5m increase) in provisions, principally following the charge associated with the Building Safety Pledge.

Balance sheet

The Group's net assets at 30 June 2022 totalled £5,631.3m (30 June 2021: £5,452.1m) after the payment of dividends totalling £337.0m (30 June 2021: £76.3m), reflecting the final dividend payment for FY21 and enhanced interim dividend for FY22.

Net tangible assets were £4,573.0m (447 pence per share) at 30 June 2022 (30 June 2021: £4,546.2m; 446 pence per share). Land, net of land creditors, and work in progress totalled £4,444.1m (435 pence per share) at 30 June 2022 (30 June 2021: £3,963.9m; 389 pence per share).

Goodwill and intangible assets increased to £1,058.3m (30 June 2021: £905.9m) following the acquisition of Gladman Developments in January 2022 for consideration of £218.4m.

At 30 June 2022, the Group held net cash balances of £1,138.6m (30 June 2021: £1,317.4m). At 30 June 2022, land creditors increased to £733.6m (30 June 2021: £658.3m) and equated to 22.0% (30 June 2021: 22.3%) of the owned land bank, in line with our operating framework.

Our minimal year-end total net indebtedness target was achieved with a net surplus of £405.0m at 30 June 2022 (30 June 2021: £659.1m net surplus).

A reduction in net cash and total net surplus is expected at the end of H1 FY23, reflecting investment in land and work in progress to support growth in home completions; the final enhanced ordinary dividend payment at 2.25x dividend cover (subject to shareholder approval); and the

initial reimbursement of costs incurred by the Government's Building Safety Fund and Private Sector ACM Cladding Remediation Fund.

In FY23, we expect year-end net cash balances, including the announced share buy-back impact of £200m, will be c. £0.8bn. During FY23, £498.2m of land creditors will fall due for payment (30 June 2021, during FY22: £363.4m). Land creditors due beyond 30 June 2023 totalled £235.4m at 30 June 2022 (30 June 2021: £294.9m due beyond 30 June 2022).

Capital returns

The Board believes it is an appropriate time to consider the return of capital which is beyond the requirements for investment and growth in the business. After Board consideration of the medium-term capital requirements, we are announcing our intention to return capital of £200m in FY23 through the implementation of a share buyback programme. It is the Board's intention that the buyback will proceed in tranches, with an initial tranche of £50m to be completed by the end of the calendar year and the total programme completed no later than 30 June 2023.

The key dimensions underpinning delivery of our strategy

Land and planning

We secured land approvals in line with our expectations, whilst maintaining discipline and selectivity in our land purchasing. In the year, we approved 19,089 net plots (FY21: 18,067) of operational land for purchase, equating to £1,396.1m (FY21: £876.8m) on 102 new sites (FY21: 97).

The increase in the average cost per plot reflected several factors. These included; firstly the underlying increase in house prices over the last year; secondly a shift in the mix of plots approved to more primary locations with a land value premium; thirdly, an increase in the average size of homes planned for these plots which

increases the land plot's value; and, finally a larger proportion of the plots approved were "serviced" plots requiring reduced site development cost which, as a result, reflected in a higher land value.

Our competitive position in the land market continues to be enhanced through our ability to acquire larger sites, which can develop Barratt and David Wilson homes on dual-branded developments. This combination brings greater housetype variety and choice for customers, and enhances the speed that these sites can be developed, resulting in an improved ROCE.

We continue to see an attractive range of land buying opportunities and we have a solid pipeline of developments moving through our land approval process. During FY22, we spent £1,036m on land (FY21: c. £745m), encompassing land purchases and the settlement of land creditors.

We continue to target a regionally balanced land portfolio with a supply of owned land of c. 3.5 years and a further c. 1.0 year of controlled land. Our target for a shorter than sector average land bank recognises our focus on ROCE, and our fast build and sale model. Reflecting our focus on future growth, we remain above this target with 4.7 years' land supply at 30 June 2022 (30 June 2021: 4.7 years). Our land bank comprised of 3.9 years of owned land and 0.8 years of controlled land at 30 June 2022.

More than 75% (30 June 2021: 79%) of our owned and unconditional land bank plots have detailed planning consent, with the move into development of these plots supporting our sales outlets both now and in the future. As well as years of land supply, the planning status of our land bank plots and the distribution of plots within attractive development outlets remain important determinants of the commercial strength and quality of our land bank.

Our land bank at 30 June comprised:

| Our land bank | 30 June 2022 | 30 June 2021 |
|---|----------------|--------------|
| Plots with detailed planning consent | 51,009 | 52,775 |
| Plots with outline planning consent | 15,957 | 13,452 |
| Plots with resolution to grant and other | 721 | 374 |
| Owned and unconditional land bank (plots) | 67,687 | 66,601 |
| Conditionally contracted land bank (plots) | 13,239 | 11,041 |
| Total owned and controlled land bank (plots) | 80,926 | 77,642 |
| Number of years' supply | 4.7 | 4.7 |
| JVs owned and controlled land bank (plots) | 4,548 | 4,661 |
| Strategic land bank (acres) | 15,537 | 13,754 |
| Strategic land bank (plots) | 91,440 | 78,964 |
| Promotional land bank (plots) | 93,696 | - |
| Land bank carrying value (£m) | 3,339.9 | 2,946.3 |

At 30 June 2022, the ASP of plots in our owned land bank was £322k (30 June 2021: £289k).

Strategic land activity

During the year, we delivered 4,530 (FY21: 4,172) or 26% (FY21: 25%) of our wholly owned home completions from strategically sourced land. With several planning successes in the year, we converted 1,663 plots (FY21: 3,507) of strategic land into our owned and controlled land bank. At 30 June 2022, around 25% (30 June 2021: around 28%) of our strategic land is allocated or included in draft local plans. We are also benefiting from the additional expertise brought by Gladman Developments' planning teams to our strategic portfolio across the country to help analyse and prioritise our strategic land purchasing.

Land promotion activity

Following the acquisition of Gladman, the Group now holds a significant promotional land portfolio, encompassing some 93,696 promotional plots.

Gladman uses its extensive land and planning expertise to identify land suitable for development; agree contractual partnerships with landowners; fund all costs associated with obtaining planning permission; and, through targeted marketing and competitive tender, secures optimum value for the land sale with Gladman receiving a share of the sale proceeds. Gladman's back-office functions have been integrated into the Group since acquisition, but Gladman continue to operate as a standalone business within the Group.

During the five months of ownership, Gladman secured an estimated 1,882 plots, through new promotional agreements with landowners. Following several planning successes, the business received planning consents on 807 plots and, reflecting strong demand for land with planning consent, Gladman secured land sale transactions equating to 1,332 plots.

Through its share of land transaction proceeds, Gladman generated sales of £23.3m and an adjusted operating profit, before amortisation of intangible assets, of £12.4m during the five-month post-acquisition period.

Gladman, with access to the Group's financial resources, has been engaging with its existing land promotion partners around alternative routes to unlocking value from their respective land positions. Reflecting the changing needs and aspirations of land promotion partners, Gladman now offers the ability to convert promotional agreements into option, hybrid or freehold sale arrangements for all, or part, of their land promotion partners' holdings.

Strategic land conversion

We continue to target around 30% of wholly owned completions from strategic and promotional land in the medium term. We believe this is an appropriate level for our business, and reflects the development and planning prospects held within our strategic land portfolio, the likely conversion of promotional land bank plots through Gladman Developments, our operating model, our targeted land bank length and focus on ROCE.

Whilst we have experienced planning delays over the past year, we are well positioned, with all expected FY23 completions (FY21: all of our FY22 completions) having outline or detailed planning consent.

Improving efficiency and controlling costs

Driving the efficiency of our operations and controlling costs remain key focus areas for the Group.

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

With the increased volatility in energy costs and commodities, and the rising inflationary backdrop across the UK economy, our supply chain partners have moved away from fixed-term pricing arrangements for a more dynamic pricing. We are committed to working collaboratively with our supply chain partners to secure sustainable, competitive pricing, while maintaining security of supply to support our site-based operations.

Reflecting the supply chain shift to more dynamic pricing, we have seen a reduction in pricing agreements, with several suppliers introducing surcharge arrangements around changes in their key input and transportation costs. We have pricing agreements in place for 73% of our material requirements to 31 December 2022 (FY22: 96% to 31 December 2021), and 12% of our requirements until 30 June 2023 (FY22: 71% to 30 June 2022).

We are currently seeing continued inflationary pressure on skilled labour supply, reflecting the inflationary pressure on labour in the economy and the continued strength of housebuilding construction activity balanced, to a degree, by a desire of sub-contractors and skilled trades to secure future workload visibility. We are improving construction efficiency and reducing demand on labour through the continued evolution of our housetype ranges, which are easier and quicker to build and are more suitable for MMC, helping us to reduce build cost and waste.

During FY22, total build cost inflation (including infrastructure, materials and labour) was around 6%, with the rate of inflation increasing throughout the financial year. Reflecting the continued strength of the market, and assuming no further material changes in the costs of energy or key commodities, we expect total build cost inflation of between 9% and 10% for FY23.

Operating framework and capital structure

Our operating framework and appropriate capital structure have served us well over the unprecedented period following the pandemic. The resilience of our operating framework and financing structure has been demonstrated over the last two years, and has provided the financial platform for our operations to deliver the recovery speed and scale in the last two years, along with the capacity to commit to investment to support future growth.

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

Chief Financial Officer's review CONTINUED

Our operating framework, with the exception of our future dividend cover policy, remains unchanged, and our performance against targets at 30 June 2022 and 2021 are summarised below:

| | Operating framework | Positions at 30 June 2022 and (30 June 2021) |
|---------------------------|--|---|
| Land bank | c. 3.5 years owned and c. 1.0 year controlled | 30 June 2022: 3.9 year owned and 0.8 years controlled (30 June 2021: 4.0 years owned and 0.7 years controlled) |
| Land creditors | Maintain usage to 15–25% of the land bank over medium term | 30 June 2022: 22.0% (30 June 2021: 22.3%) |
| Net cash | Modest average net cash over the financial year | FY22: average net cash of £957.4m (FY21: average net cash of £821.0m) |
| | Year-end net cash | 30 June 2022: £1,138.6m (30 June 2021: £1,317.4m) |
| Total indebtedness | Minimal year-end total indebtedness in the medium term | 30 June 2022: total net surplus of £405.0m (30 June 2021: total net surplus of £659.1m) |
| Treasury | Appropriate financing facilities | £700m RCF extended to 22 November 2025 £200m USPP maturing 22 August 2027 |
| Dividend policy | Phased reduction in dividend cover to 2.25x in FY22, 2.0x in FY23 and 1.75x in FY24 and thereafter | FY22: total ordinary dividend of 36.9p (FY21: total ordinary dividend of 29.4p) |

Treasury

Cash management and relationships with our banking partners are coordinated centrally. During the year, the Group successfully extended the £700m revolving credit facility (RCF) for one additional year, with the RCF now maturing 22 November 2025.

The Board sets and approves the Treasury Policy and senior management control day-to-day operations. The Group's Treasury Policy seeks to maintain an appropriate capital structure and provide the right platform for the business to manage its operating risks.

Tax

The Group does not enter into business transactions that are for the sole purpose of reducing potential tax liabilities. The Group's tax strategy is to only utilise any available reliefs and exemptions, which have been set out in any current tax legislation, to minimise the Group's tax liabilities.

All Group profits are subject to full UK corporation tax, and the total tax charge for the year ended 30 June 2022 was £127.1m (FY21: £152.1m).

The rate of corporation tax for the year ended 30 June 2022 was 19.8% (FY21: 18.7%), which is marginally below the standard effective rate of tax of 20.0% (inclusive of RPDT) (FY21: 19.0%).

The Group was subject to the Residential Property Developer Tax (RPDT) in FY22, with the new tax applicable from 1 April 2022. As a result, the Group was subject to an RPDT charge of £8.8m. RPDT, which is applied to the majority of our profits above a £25m annual allowance at a rate of 4%, will apply annually from FY23 for a HM Treasury specified period of ten years.

Looking ahead, the Group's tax charge and effective rate of tax is expected to increase broadly in line with changes in the future rate of corporation tax, which is expected to increase from 20% to 25% from 1 April 2023. Reflecting a Q4 FY23 impact of the increase in corporation tax, and the full year impact of RPDT, the Group's effective tax rate is expected to increase to approximately 24.5% in FY23.

Pensions

Defined contribution pension arrangements are in place for current employees. Defined contribution scheme charges with respect to qualifying employees totalled £14.9m (FY21: £13.9m). Pension contributions are based upon a fixed percentage of each qualifying employee's pay and, once paid, the Group has no further obligations under these schemes. During the prior year, the Group discharged its liabilities in respect of its former defined benefit pension schemes through an insurer buy-out.

Guidance for FY23

Looking to FY23, our guidance is summarised below:

| | |
|--|--|
| Completions | c. 18,400–18,800 total home completions including c. 750 from JVs c. 21% affordable; c. 79% private mix |
| Average sales outlet growth (inc. JVs) | c. 3% |
| Build cost inflation range | c. 9–10% |
| Administrative expenses | c. £300m (including amortisation of intangibles charges of c. £10m). |
| Interest cost | c. £38m (c. £10m cash; c. £28m non-cash) |
| Land approvals | Replacement basis |
| Land cash spend | c. £1.2bn |
| Year-end net cash | c. £0.8bn |
| Taxation | Effective tax rate of 24.5% reflecting full year impact of RPDT and scheduled CT rate changes |
| Ordinary dividend cover | 2.0x ordinary dividend cover based on adjusted EPS |

A strong financial position entering FY23

The Group is in a very strong position, entering FY23 with substantial net cash, a strong forward sales position and an excellent land bank. Our operating framework and strong financial position provide us with the flexibility to focus on delivering high-quality, energy-efficient, sustainable homes and developments across the country, supporting planned completion growth in FY23 towards our new medium-term target of 21,500 homes.

Mike Scott

Chief Financial Officer
6 September 2022

Section 172 statement

In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, we have set out, on the following pages, how the Board has acted in a way that promotes the success of the Company for the benefit of its members as a whole, whilst having regard to the following matters set out in s.172(1) of the Act:

- the likely consequences of any decision in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

We understand that it is important for the business at all levels, including the Board, to engage with its shareholders and wider stakeholder groups. Such engagement helps us to gain a better understanding of what areas they are interested in or concerned about and also how our decisions have impacted them. Healthy engagement with our stakeholders underpins our governance framework, which is embedded throughout our business and helps to ensure we maintain high standards of business conduct. Engagement with our stakeholders supports the Board's regard to the likely consequences of any decision in the long term, as explained further in the business model on pages 12 to 13, Key activities of the Board on page 79, Building sustainably on pages 20 to 23 and throughout our Strategic priorities on pages 24 to 33.

Our Stakeholders

The following pages set out the engagement that has taken place with those stakeholders considered as being key to the business. The Board has identified each of them as a key stakeholder due to their influence on the success of our business model and our strategy and because they represent the key resources and relationships that support the generation and preservation of value in the Group. For each key stakeholder we have set out:

- Why we engage;
- How we engage;
- Metrics – how we measure effectiveness;
- Interests and concerns;
- Outcomes of engagement; and
- The impact on Board decisions.

How the Board makes decisions

Throughout the year, the Board remained mindful of the implications that its decisions have on our stakeholders as well as potential reputational risk for the Group. This has highlighted the continual need for regular, clear and comprehensive engagement with our workforce, suppliers, shareholders and customers throughout various decision making processes to ensure that we continue to do the right thing and protect the reputation of the Group. Regular

updates on the engagement undertaken and the outcomes are provided to the Board by the Executive Directors and there is an annual agenda that includes deep dive discussions on topics such as Diversity and Inclusion, ESG, Customers, and Investor Relations. Whenever possible, the Board will engage directly with our stakeholder groups.

The Board appreciates that there may be situations where conflicts will arise between different stakeholder groups. In such circumstances, the Board will seek to understand the needs and priorities of each stakeholder group during its discussions and as part of its decision making process. It manages such conflicts by assessing shareholder and stakeholder interests from the perspective of the long term sustainable success of the business, as is illustrated in the significant decisions set out on page 40. Such actions and decisions by the Board represent the Group's culture of customer focus, resilience and adaptability. In addition, the Board ensures that our culture encourages our wider workforce to take pride in what we do, and to do the right thing when in contact with customers, members of the local communities in which we operate, and other stakeholders.



Barratt homes at Cane Hill Park in Greater London



Section 172 statement CONTINUED

Significant decisions

The main activities and decisions of the Board are set out on page 79. The following are examples of some of the more significant decisions made by the Board, how they were made and, where applicable, how conflicts between different stakeholders were managed:

Acquisition of Gladman Developments Limited

On 27 January 2022, the Group approved the purchase of the entire issued share capital of Gladman Developments Limited, a strategic land promotion business, for a consideration of £250m on a debt free and cash free basis. The acquisition was seen as a good opportunity to support the Group's volume growth aspirations and reduce pressures on its own site acquisitions.

Stakeholders considered:

- Customers;
- Shareholders;
- Employees; and
- Local communities.

How the Board made its decision:

Management undertook extensive due diligence to assess the viability of acquiring Gladman Developments Limited (Gladman), including the synergies that could be achieved from the transaction. A detailed report was submitted to the Board providing background information on Gladman and the rationale for the acquisition. This included key financial information on Gladman such as the consideration payable, the scale of their strategic land portfolio, their planning success rate and revenue, the potential to recover the Group's investment through enhanced housebuilding activities, the valuation of their assets and any premium attributable to their brand. Planning risks and the retention of key employees, including the Chair, CEO and management team of Gladman were also considered. The Board appreciated the benefits of the transaction to the Group and to landowners, in particular that it would bring together specialist planning expertise, with a stronger balance sheet, and an enhanced ability to target larger sites with more complex requirements.

The Board was mindful of the additional work that the transaction would place on existing employees but was confident that Management would monitor the level of resource throughout the transaction and adjust as required. In addition, it was noted that the acquisition would utilise cash that could potentially be used to increase the returns to shareholders. The Board was however satisfied that the transaction would promote the long-term success of the Company as it will help drive volume growth and that the distributable reserves position would fully support the dividend policy for FY22, being a dividend cover of 2.25 times earnings. Accordingly, the Board approved the transaction and the terms on which Gladman would be acquired.

Committed to Growth

As Britain's largest housebuilder we are committed to playing a key role in addressing the UK's housing shortage. During the year the Board has put in place additional building blocks to support disciplined growth to build 21,500 homes over the medium term. The Group opened two new offices in Sheffield and Anglia, expanding our Northern and East regions, with effect from 1 July 2022. In addition, as a continuation of our strategy to migrate more of our production to timber frame, we will open a new factory in England to complement our existing factory in Scotland. The new timber frame manufacturing facility, near Derby, will add significant capacity to our timber frame output from FY24.

Stakeholders considered:

- Customers;
- Employees;
- Shareholders;
- Sub-contractors and supply chain;
- Local communities; and
- Government, opposition parties and regulators.

How the Board made its decision:

Management presented detailed reports to the Board setting out their recommendations and supporting information in respect of each proposed new division as well as the new timber frame manufacturing facility. These enabled the Board to understand the rationale for each. For the two new divisions the Board considered, amongst other factors, current developments and demand for housing in the area and the current capacity of existing divisions to expand and land opportunities. For the new factory, the Board took into account the current timber frame capacity from Oregon in Scotland, the cost of taking over an existing factory, warehouse or other building and converting it to meet our needs against building our own factory to the specification and size required to meet current and potential future demand. The Board was also mindful of the employment opportunities that each of these recommendations would bring for existing employees looking for a promotion or a new challenge and those residing in the local communities in which each would operate. That said, the Board was aware that each opportunity would require capital investment which could impact the level of any potential returns to shareholders in the short term. The Board, however, was comfortable that the increased capacity and potentially higher levels of sales will in the longer term prove to be beneficial not only for the Group but also for its shareholders and employees. Accordingly, the Board approved the opening of the new offices in Sheffield and Anglia and also the development of a new timber frame manufacturing facility near Derby.

Stakeholder engagement

Stakeholder engagement is an important part of our operations. The Board is apprised of the feedback received and takes this into account when making decisions that may impact our stakeholders either collectively or individually.

Customers

Link to Strategic Priorities



Customer first



Great places

Why we engage

Customers are at the heart of everything we do. Without them there is no business for us to operate. It is imperative that we understand their needs and adapt our product accordingly.

How we engage

We utilise different methods of engagement with our customers depending on the information that we are trying to gain or provide.

Company Engagement:

We ask for regular feedback from our customers both directly and through Trustpilot and the 8 week HBF National New Homes Customer Satisfaction survey to help us make improvements to our service and their home buying journey. We have, throughout the year, engaged with our customers on cladding and fire-safety to address any of their issues and concerns. We continuously update our website with up-to-date information about Barratt and the sites they may be interested in, as well as any messages around COVID measures that may be in place. We regularly provide customers with guidance on home and garden maintenance.

We continue to enhance our customer research and insight programme to further deliver action led insights. We involve our customers in virtual research to understand their perceptions and preferences on matters such as the cost of living crisis, how they search for their new home, our brand positioning, our product, post-pandemic living preferences and the development of a new range of apartments. We also now cover the specification of future homes to aid decision making and future business planning. We are keen to understand customer awareness of sustainability within housebuilding, specifically around energy efficiency and changing legislation, and how this impacts their buying decisions, which is done through the use of quantitative surveys.

Board Level Engagement:

The Group Customer and Change Director, Jeremy Hipkiss, updates the Board annually on actions taken to engage with customers and the outcomes of such engagement. They also seek to get insight on what else could or should be done. During the year, Katie Bickerstaffe and Nina Bibby, two of our Non-Executive Directors, supported the review and enhancement of the 'Customer Journey' by bringing insight from their respective executive role.

Metrics – How we measure effectiveness

The following metrics are reported to the Board by the Chief Executive and/or the Group Customer and Change Director to enable it to consider and agree what, if any, changes to make in how and when we engage with our customers.

- 8-week HBF National New Homes Customer Satisfaction rating – 5 star rating for the 13th consecutive year.
- 9-month NHBC National New Homes Survey rating – included as a metric in the FY23 bonus scheme.
- Defect resolution – number of open defects and time taken to resolve.
- Trustpilot scores – for FY22 both our Barratt and David Wilson Homes brands scored 4.3 (FY21: 4.1 and 4.3 respectively).
- Click through rate for seasonal newsletters – this was 11.4% and broadly stable over the year.

Interests and concerns

During FY22, the key interests and concerns of our customers related to home working, after-sales care, energy efficiency of our homes, green spaces, cladding and fire-safety of multi-storey buildings and mortgage availability and affordability.

Outcomes from engagement

We constantly look to improve in response to any feedback or information from our customers. During FY22 we adapted our marketing plans to more effectively communicate with our customers about gardens, public open spaces, cost savings associated with our energy efficient homes, how we are designing homes to support flexible living and the changes being made due to the requirements of the Future Homes Standard. We provided ultrafast broadband to our homes to facilitate home working, and engaged with lenders to encourage mortgage product innovation to support affordability challenges and improve mortgage products, process and criteria for our customers.

Effect of engagement with customers on Board decisions

The Board continued to drive defect and complaint resolution across the divisions and issued revised policies and procedures to ensure compliance with the future requirements of the New Homes Quality Code and New Homes Ombudsman Service. The Board, through the Executive Committee, closely monitors build stage movements to ensure customers receive handover of their new home within agreed timescales and agreed action plans to support those sites struggling to make a sale. The Board is fully focused on ensuring that the homes for those customers who are looking to benefit from Help to Buy before it ceases in March 2023, are build complete by no later than December 2022.

The Board agreed to launch Deposit Unlock, facilitating 95% lending on New Build houses and flats, and continues to support the promotion of Green Mortgages, which link the savings from energy efficiency to affordability assessments.

Stakeholder engagement CONTINUED

Employees

Link to Strategic Priorities



Investing in our people

Why we engage

It is due to the hard work and commitment of our engaged employees that we are strong, both operationally and financially. It is of paramount importance that we are able to attract, recruit and retain the best people. We therefore need to understand what matters most to them and ensure that we have the right policies, processes and procedures, remuneration, as well as progression, training and development opportunities in place to support them. Engagement with our employees enables the Board to better understand the issues that are important to them and helps nurture a mutual understanding between senior management and their teams.

How we engage

We use a variety of methods of engagement which enable two-way interaction with employees and allow them to voice their concerns or thoughts anonymously.

Company Engagement:

Our Workforce Forum is developing into an important tool for providing insight to the thoughts and opinions of our employees and what matters most to them. In FY22 the Workforce Forum met three times, twice virtually and once in-person. This will increase to four meetings in FY23. Topics discussed included hybrid working, sustainability (renewable energy and waste), cost of living, training, development and progression, health and wellbeing and Executive Director and employee remuneration strategies. Consideration was also given to how, as a business, we can better support our colleagues with disabilities.

Employees can directly contact the Designated NED for Workforce Engagement on any matters relating to the workplace, on a confidential basis through a dedicated email address.

We regularly send out emails (to Barratt or personal email addresses), newsletters, webinars and video messages to update our employees on issues that may be of interest to them, such as benefits, training, health and safety, hybrid working, sustainability and charitable giving. We have also returned to holding events in-person. Face-to-face training sessions have also re-commenced although we

have retained some virtual activities such as yoga, to support our employees' physical and mental wellbeing.

Our annual engagement survey provided great insight into the issues that matter most to our employees, including diversity and inclusion. Local action plans were put in place with individual functions and teams to either improve or enhance the engagement that they undertake with their teams. The Executive Committee received an analysis of the verbatim comments received to consider and make changes as they saw fit. Interim pulse surveys have taken place to monitor improvements, trends and further development in key focus areas identified.

Board Level Engagement:

The Board receives regular updates from Sharon White, the Designated NED of Workforce Engagement on the activities and discussions of the Workforce Forum, the Chief Executive on the topics discussed and decisions made by the Sustainability Committee, the SHE and Construction Director on health and safety matters, the HR Director on people strategy and diversity and inclusion, and from the Trustees of the Barratt Foundation. These updates include what engagement has taken place, the outcomes and the actions to be taken.



The members of the Workforce Forum on a visit to Barratt London's Hendon Waterside development.



The Board has this year reinstated its physical site visits. Its first visit was to the West region, where it received a regional update from the senior management team and met site and sales employees.

The Chief Executive, David Thomas, and Chief Operating Officer, Steven Boyes, held our first employee town hall event in May 2022, giving colleagues' across the Group the opportunity to hear directly from them and on behalf of the Board. Employees were able to suggest, in advance, any topics they wanted to hear about. A full Q&A document was issued post-event and the event was recorded for those who were not able to join on the day.

Health and safety remains a fundamental priority for the business. The Chair of the SHE Committee, Chris Weston, now attends all SHE Operations Committee meetings and can make suggestions for improvement and hear first-hand the issues and challenges being faced by the teams. The membership of the SHE Operations Committee has been extended to include representatives from site.

The Board has approved a three-year funding agreement with the Barratt Foundation to further engage employees with charitable giving and enable the Foundation to enter into multi-year partnerships, which employees can support.

Metrics – How we measure effectiveness

The following information is reported to the Board by the Chief Executive to enable it to consider and agree what, if any changes to make in how and when we engage with our employees:

- Employee engagement scores – provides a quantified measurement of engagement.
- The amount of fundraising by employees – provides an insight into the level of engagement with Barratt Foundation initiatives.
- Turnover rates – more engaged employees are less likely to leave the business.

- IIR – the lower the rate, the safer our employees.
- Diversity – helps us monitor the diversity and inclusivity of our working environment.
- Gender and ethnicity pay gap – helps us ensure equality in remuneration across the organisation.
- Reports to the Whistleblowing line – helps us ensure that we continue to do the right thing and tackle any issues in a timely and efficient manner.

Interests and concerns

Throughout FY22, the key interests and concerns of our employees related to remuneration, resource, training, development and progression, health and wellbeing, flexible working, cost of living, and their own and the Group's carbon footprint and impact on the environment.

Outcomes from engagement

The engagement with our employees has enabled management to better understand their concerns in respect of the increase in living costs and how they felt the business could support them. It also reaffirmed that our employees would prefer to continue working in a hybrid manner after COVID restrictions were lifted. It has also helped us to evolve the way in which we deliver information on key topics to our employees. For example, we have introduced HR bitesize sessions on issues such as health and wellbeing, recognition and our Special Leave policy. We have launched a new My Barratt Benefits platform, provided recordings of training / webinars, introduced a new MyLearning mobile app, and deployed laptops to divisions for colleagues who do not have a Barratt email account.

As part of our Diversity and Inclusion strategy and following feedback from the Workforce Forum, we have established a network to seek the views of our people with disabilities, enabling us to establish the most effective ways to share best practice and better support them.

We have continued to roll out our Electric Car strategy and accompanying Green Salary Sacrifice Car Scheme, offering all employees the opportunity to lease new ultra low emission or electric vehicles out of their pre-tax pay, whilst helping them to reduce their carbon footprint (ensuring the national minimum wage was not breached).

Following the Town Hall event, we have created an 'ideas mailbox' where colleagues can make suggestions for improving the business. All suggestions are shared with the Executive Committee.

Effect of engagement with employees on Board decisions

The cost of living crisis has had a significant impact on our employees. Accordingly, the Board agreed to bring forward the FY23 pay review to 1 April 2022 from 1 July 2022 for all employees below Senior Management level (see page 106). In addition, the Board agreed to pay a salary supplement of £1,000 in equal amounts over a period of six months to 31 December 2022 to each employee below our senior leadership team (95% of our employees) (see page 106).

Other benefit improvements included the extension of private medical insurance to all employees (not just those in senior positions), the granting of an additional day of holiday to all employees and the doubling of the number of paid volunteer days from one to two per financial year per employee.

To further charitable giving, the Board agreed the Barratt Foundations' proposals to reduce the minimum individual match funding threshold from £1,000 to £100 and double the amount of match funding that individuals can apply for to a maximum of £2,000 (previously £1,000) for FY23.

Stakeholder engagement CONTINUED

Shareholders

Link to Strategic Priorities



Customer first



Leading construction



Great places



Investing in our people

Why we engage

Shareholders own the Company. It is therefore imperative that we listen to what they have to say and operate the business in a way that delivers long-term value growth and sustainable returns. The Company's reputation could be damaged and it could be prevented from attracting new investments without the full understanding and support of its shareholders.

How we engage

Investors and retail shareholders appreciate contact, and whilst virtual meetings dominated during the year, we resumed in-person meetings with a number of shareholders. Subject to any further restrictions, we intend to offer both virtual and in-person meetings in the future. We also improved our web-based video meeting technology to facilitate meetings with investors.

Company Engagement:

The Executive Directors and the Group Investor Relations Director follow a comprehensive programme of investor meetings and calls to discuss investors' questions and areas of concern, particularly following the release of annual and half year results and trading updates. These included virtual investor roadshows with shareholders in the UK, Europe and North America, following the Group's final FY21 and interim FY22 results and ad-hoc one-to-one meetings (including in-person and virtual conferences and fireside chat events) and group investor meetings.

The use of technology has again helped to improve our engagement with smaller institutions, regional pension funds and private wealth managers on results and non-results cycle roadshows, which previously have proved more difficult due to their spread across the country.

We continue to engage strongly on our sustainability strategy. The Group Investor Relations Director and the Group Sustainability Director attended various ESG conferences and meetings and responded to incoming queries from analysts to provide insight into the Group's activities. Key areas of focus included the Future Homes Standard and the changes this will require in the homes we build; value chain carbon footprint and our response to the impacts of climate change; our approach to timber frame construction and modern methods of construction; and modern slavery benchmarking studies.

Throughout the year, the Chief Executive, the Head of our Building Safety Unit and the Group Investor Relations Director have engaged with several major shareholders to discuss the Group's policies in respect of building safety.

We issue regular trading updates via the London Stock Exchange Regulatory News Service. These are normally published in May, July and October with our half and full year announcements in February and September respectively. During the year we also issued specific announcements on the acquisition of Gladman (see page 37) and the signing of the Building Safety Pledge to address necessary fire-safety issues on all our buildings of 11 metres and above, built in the last 30 years (see page 169).

Our website is a valuable engagement tool and is continuously updated to reflect current information on matters such as sustainability, governance and building safety.

The Company Secretarial team, together with the Company's Registrars, have engaged with various retail shareholders and dealt with enquiries relating to their shareholdings or other information requests. The Company Secretary normally notifies the Chairman and the Chief Executive of any areas of concern or importance raised by retail shareholders. No such queries were raised during the year.

We continue to encourage retail shareholders to request digital communications, in support of our work to enhance our sustainability credentials and reduce our carbon footprint as well as setting up dividend mandates, to enable them to receive their dividends faster and more securely.

Board Level Engagement:

The Chief Financial Officer, the Company's brokers and the Group Investor Relations Director update the Board on a regular basis on the Company's investor relations activities and shareholder and analyst feedback, to ensure that all Directors are aware of, and have a clear understanding of, the views of our major shareholders.

All Board members are available at the AGM to answer questions submitted prior to (by post or via email to agmquestions@barrattplc.co.uk) or on the day, of the AGM. Shareholders can attend in person or via a live webcast. The Chief Executive will update shareholders on the Group's performance and activities during the year. The Notice of AGM will be circulated to all shareholders at least 20 business days prior to the meeting. All resolutions will be voted on by way of a poll.

In July 2022, the Remuneration Committee Chair consulted with major shareholders and proxy voting agencies on the Group's FY22 remuneration outcomes and plans for FY23 (see page 124) and the Chairman, the Senior Independent Director and other Non-Executive Directors are available to attend meetings with major shareholders to gain an understanding of any issues and concerns.

Metrics – How we measure effectiveness

The following information is reported to the Board by the Chief Executive and the Group Investor Relations Director to enable it to consider and agree what, if any, changes to make in how and when we engage with our shareholders:

- Share register movements.
- Results of qualitative investor feedback to improve engagement and understanding of key interests and concerns.

- The number of meetings attended – In FY22 the Executive Directors, supported by Senior Management, attended 155 investor meetings (FY21: 145), 137 one-to-one meetings (FY21: 116) and 18 group meetings (FY21: 30) engaging with around 45.6% (FY21: 48.5%) of shareholders (by shareholding value).

Interests and concerns

The key areas of interest and concern for our shareholders included the impact of challenges around availability of materials and build cost inflation on our build activity, government announcements and changes in their approach to building safety and building safety remediation costs and the impact on Executive Directors' remuneration (see page 105). Sustainability matters, notably, the potential impact of the Future Homes Standard, the Zed House project and details around our value chain emissions and our strategy to mitigate the impacts of climate change were also key topics of discussion. Other areas explored by our shareholders were our approach to Modern Slavery, our diversity and

inclusion performance, our commitment to paying the real Living Wage, the Group's dividend policy and the Group's potential, over the short to medium term, to return surplus capital. There was also interest in understanding the speed with which we can deliver new product innovation into the homes we build; the propensity for customers to pay a premium for such improvements; and the lessons being learnt on the incremental costs looking to Part L and Part F (in 2022 and 2023) as well as the Future Homes Standard changes (in 2025).

Outcomes from engagement

Shareholders have been kept informed through timely disclosure of the performance of the Group, including the impact on trading of material availability challenges and build cost inflation. On signing the Building Safety Pledge we disclosed our best estimate with respect to the future costs of remediation, along with the increase in the annual costs required to support our dedicated Building Safety Unit, to help shareholders understand the future financial impacts of the pledge

and the change in Government policy. Investors gained enhanced understanding of the ESG issues relating to both the Company and the wider housebuilding industry. Our engagement also gave investors the opportunity to share their views on the relative merits of ordinary dividends and potential returns of surplus capital either by way of special dividends or through buybacks (see page 36).

Effect of engagement with shareholders on Board decisions

During the year, the Board has gained an enhanced understanding of shareholder expectations in respect of ESG matters, particularly climate change risks and opportunities. We have included detailed TCFD disclosures in this Annual Report and Accounts (see pages 58 to 71 inclusive) as well as information on our commitment to develop future investor communications, which increasingly integrate ESG related issues with financial and operational performance. To boost the

implementation and delivery of the Group's Diversity and Inclusion strategy, a new Head of Diversity and Inclusion was appointed during the year (see page 104). The Board has also revised the Group's ordinary dividend policy, implementing a phased reduction in dividend cover of 0.25 times per year from 2.5 times in FY21 to 1.75 times in FY24, reflecting both the Group's financial performance and the feedback received through shareholder engagement.

Stakeholder engagement CONTINUED

Sub-contractors and supply chain

Link to Strategic Priorities



Great places



Leading construction

Why we engage

Without our sub-contractors and supply chain we would not be able to build high quality products at the volume expected by the market. It is therefore important for us to build relationships with them to secure continuity of supply of materials, support our productivity levels, avoid increased costs of sourcing alternative suppliers and avoid undue delays in construction. We must have a good understanding of what they expect from the Company in return for their continued support.

How we engage

The following methods of engagement give us the opportunity to speak to sub-contractors and our supply chain as a group which ensures consistency in the messaging and opportunity for networking and sharing ideas and best practice. Individual meetings allow us to focus on specific areas or issues relevant to that stakeholder.

Company Engagement:

We held our annual Supply Chain conference in person in March 2022. It was attended by 125 of our key group suppliers. We shared our immediate and medium term plans and thoughts on the role our suppliers can play in helping us to achieve our objectives, including the reduction of Scope 3 emissions, and gained an understanding of the issues they were facing and how we could support them.

We shared relevant demand forecasting information with all key material suppliers to enable them to ensure appropriate manufacturing capacity is available to meet our requirements.

We asked our suppliers to assess themselves against our Supplier Sustainability Maturity Matrix to drive progress in the priority areas of carbon, waste, modern slavery, and governance. In support of this, we held a waste reduction workshop with a cross section of suppliers and had one-to-one meetings to discuss the use of alternative fuels such as electricity and hydrogen.

A key area of focus is working with our highest emitting suppliers and sub-contractors to better understand our Scope 3 emissions and how we might be able to help to reduce them. More granular information was requested from

an expanded pool of suppliers. Further information can be found on page 28.

Our divisions held sub-contractor and supplier days to discuss local business plans and 'Thank you' events to show our appreciation for their continued support.

We have conducted trials to eliminate or reduce single use plastics and have been involved in collaborative projects with Zero Waste Scotland to research packaging waste and its manufacturing and supply source. We have also had some success in engaging with our brick suppliers to reduce plastic packaging, with initiatives

leading to significant improvements in waste generated.

We have also continued to promote the Supply Chain Sustainability School to provide targeted learning and training resources.

Board Level Engagement:

Members of the Board attend the supplier conference. The Chief Operating Officer provided an update on the supply chain and sub-contractor performance at each Board meeting. The Group Procurement Director is invited to attend the Board or the Audit Committee to directly answer any queries members may have.

Metrics – How we measure effectiveness

The following information is reported to the Board by the Chief Operating Officer and/or the Group Procurement Director to enable it to consider and agree what, if any, changes with our sub-contractors and supply chain:

- Feedback received from a survey following the annual conference to help improve the conference in the following year.
- Availability of materials and services to support our build delivery programme despite shortages and/or challenges in the industry.

Interests and concerns

The key interests and concerns of our sub-contractors and supply chain related to the health and safety of their employees whilst working on our sites, modern slavery, living wage and our actions and progress in respect of our sustainability and carbon reduction strategies and initiatives. Given the current cost of living crisis, it is not surprising that our sub-contractors and supply chain are concerned with being paid in a timely manner. Details of our prompt payment practices can be found on our website. In addition, our sub-contractors are concerned with the availability of materials given the rise in build cost inflation. No materials will mean no work for them on our sites.

Outcomes from engagement

We have received positive feedback regarding our leadership on sustainability issues ranging from carbon and waste to our commitments on modern slavery and the real Living Wage. We closely monitor our prompt payment performance to ensure we are supporting our partners. We have established long term relationships with our sub-contractors and suppliers which have helped to ensure delivery and performance standards are mutually understood and have also enabled us to secure materials to support build requirements during a period of shortage of certain components. It has also helped us gain a better understanding on the availability of carbon emission data, and the challenges associated with reporting this data. The majority of our suppliers have now completed the Supplier Sustainability Maturity matrix with 51% of target badges having been met.

Effect of engagement with the supply chain on Board decisions

To further enhance the relationships with our sub-contractors and supply chain the Board agreed to hold an additional conference during the year. Due to the challenges with the availability of certain materials the Board asked the Chief Operating Officer to update it at each meeting. To improve the accuracy of the baseline and yearly emissions performance the Board agreed to refine the GHG emissions factors used for specific products and services. The Board also supported a successful trial using hydro-treated vegetable oil in telehandlers as an alternative lower emission fuel, which will now be rolled out more widely.

Banks

Link to Strategic Priorities



Customer first

Why we engage

We need sufficient finance and working capital 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. In addition, it is important to understand the banks' views on the market and their risk appetite for lending as well as identifying ways in which the parties can collaborate to support mutual customers.

How we engage

The following methods of engagement are effective in ensuring continued mutual understanding of our respective businesses and of the services the banks can provide to us and to our customers.

Company Engagement:

The Chief Executive, Chief Financial Officer, Head of Treasury and Head of Mortgage Lender Relations held regular update meetings and calls after the annual results with each of the banks in the RCF and with the USPP investors. Additional calls and meetings were held as appropriate throughout the year. We also provided updates on the progress being made in terms of sustainability whilst the banks informed us of relevant initiatives, such as sustainability linked RCFs, and how these may benefit the business. A virtual call was also hosted for the RCF banks and mortgage lenders to provide information and provide a tour of the Zed House. The Head of Treasury has a schedule of regular diarised calls on a one to one basis with the Relationship Director of each of the banks who participate in the RCF. We also held an informal event in March 2022 for the banks to meet our new Chief Financial Officer in person.

Structured regular meetings are held with lenders by the Head of Mortgage Lender Relations to promote improvements to New Build criteria, products and processes. A key objective is to promote products that, in a post Help to Buy market, will allow as many different customer types as possible to buy our homes. We are also reviewing our recommended broker panel to ensure that customers have access to high quality specialist mortgage advice as early as possible.

We have been instrumental in the launch of and support for Deposit Unlock which facilitates 95% lending on New Build homes. We engage regularly with third party providers to assess whether new schemes for home ownership are scalable and work in the interests of both us and our customers. We also continue to work with mortgage lenders to encourage development of green mortgage products, which factor the energy efficiency of our homes into mortgage assessment processes. To support this, the main lenders and key surveying firms have all now visited the Zed House to see what an energy efficient, low carbon home could look like in the future.

We have also convened an industry forum for the top five surveying firms, supported by the HBF and the Future Homes Hub, to collaborate regarding changes required by the Future Homes Standard.

Board Level Engagement:

During the year, key lender meetings were supported by the Executive Directors and members of the Executive Committee and have included site visits and other face to face meetings as lockdown restrictions were withdrawn. The Chief Financial Officer and the Chief Executive provide regular updates to the Board on engagement activities with the RCF banks and mortgage lenders and on any actions being taken as a result of the information received. In addition, the Chair of the Audit Committee also attends the Treasury Operating Committee meetings.

Metrics – How we measure effectiveness

The banks' willingness to engage with us and discuss new opportunities to support us and our customers is the key metric that is reported to the Board by the Chief Financial Officer to enable it to consider and agree what, if any, changes to make in how and when we engage with our banks.

Interests and concerns

The key interests and concerns of our banks identified related to our progress with our sustainability strategy in particular energy efficient homes, the potential for a sustainability linked RCF, and the viability for green mortgage products and new high loan to value lending products for our customers.

Outcomes from engagement

Engagement with our banks has given us the opportunity to discuss the market environment and recent trends as well as our latest results. It has also enabled the banks to broaden their understanding of our business and how we operate, as well as the sustainability and environmental challenges, particularly around climate risk and carbon mitigation, facing the business, what we are doing to address these and what they can do to support us and our customers. We have engaged with a broader range of mortgage lenders, allowing customers to access mortgage products that are most suitable for their needs. Both parties have gained a greater understanding of each other's priorities and agreed overlapping objectives, with a view to evolving improved lending terms for energy efficient homes.

Effect of engagement with banks on Board decisions

The Board was mindful that with the impending end of Help to Buy, large numbers of our customers may struggle to gain the financial support that they need to purchase their new home. The Board therefore agreed to support the launch of Deposit Unlock (see page 24) and explore alternatives to Help to Buy.

Stakeholder engagement CONTINUED

Local communities and the environment

Link to Strategic Priorities



Customer first



Leading construction



Great places



Investing in our people

Why we engage

It is important for us to engage with the local communities in which we build to ensure that we are responding to local needs and are able to create value whilst considering the impact that our business has on the local environment and the use of natural resources in our build process. We need to protect habitats and resources as we focus on creating sustainable homes. Regular and open engagement helps ease the whole build process, in particular planning, as it mitigates against objections from members of the community which could lead to undue delay and increased costs.

How we engage

We use a range of engagement methods to enable the local communities to better understand how we can benefit them and how we will protect the local environment around them.

Company Engagement:

To ensure that community needs and considerations, including impact on the local environment, are taken into account at the earliest stage of the development process, we hold meetings and site specific consultations which all local residents are welcome to attend. We also hold in-person and virtual public exhibitions as well as regular meetings with other national and local organisations who are key to enhancing our environmental impact. These include parish/town councils, local planning authorities, environmental regulators, Local Water Authorities and Natural England. At these meetings we consult and seek views on our plans and look to incorporate the feedback we receive. We pay particular attention to residents' concerns about how our activities might impact the natural environment.

We frequently share the contact details of site managers with relevant figures at the local parish council, to allow them to be contacted quickly and any issues with construction to be rectified.

We work closely with local schools, to emphasise the importance of site safety and to keep everyone safe. This also teaches children about the construction process, the careers available, and the initiatives that we have implemented to create sustainable homes and places to live, such as through the interactive Insight House on our Heritage Grange development in Warwickshire (see page 23).

We are active members of the Supply Chain Sustainability School and require key members of our supply chain to also be registered. This is a key platform to engage with others in the industry to consider environmental improvement opportunities and ensure our policies reflect the best in the industry. Our supply chain plays a key part in our strategy and our teams carry out reviews with them to understand their environmental credentials and the impact of the materials supplied to us.

Those that we engaged with can provide feedback through a multitude of channels both online and offline. A dedicated project website is often set up to provide information and updates for local residents and interested parties.

We write to inform the local community of upcoming works that have the potential to cause disruption, such as highway and infrastructure works. On many sites we distribute a quarterly newsletter update on development progress so the local community can see what is happening in more detail and have forewarning about any disruptions.

We use signage in and around our sites to demonstrate our credentials and the value that our activities bring to local communities. We highlight the number of jobs and businesses supported, amount of green space created and retained, and section 106 contributions to local infrastructure and services. New developments are publicised in the local press, as are positive news stories about our beneficial activities and impacts of our developments. We have a network of seven PR agencies promoting the business to national, regional and local media. We promote the resilience and sustainability credentials of our homes to the wider community to demonstrate the

reduced impact they have on the natural environment at a local and a global level.

We expanded our charitable activity this year with the growth of the Barratt Foundation having entered into two new three year partnerships with the Outward Bound Trust and Whizz-Kidz. We are currently in the process of identifying other partnerships with charities that will support each of our four focus areas. Our 30 offices and divisions donated £1,000 per month to good causes in their local area.

Board Level Engagement:

The Chief Executive and the Chief Operating Officer keep the Board apprised of any local issues that have been identified and have the potential to escalate into a wider matter that may impact the business as a whole. There are also two updates a year from the Group Construction and SHE Director as well as regular updates from the Sustainability Committee. The Board also receives an update from the Barratt Foundation twice a year including the impact our donations are having on our local communities and the protection of the environment.

Metrics – How we measure effectiveness

The following information is reported to the Board by the Chief Executive and/or Chief Operating Officer to enable it to consider and agree what, if any, changes to make in how and when we engage with our local communities:

- The extent of local opposition to our developments.
- The level of planning appeals - 95% of the units we build are approved at a local level and do not require a planning appeal.
- The amount donated to, and the feedback from, charities that we have supported and the impact we had.

Interests and concerns

The key interests and concerns of our communities relate to our local, regional and national socio-economic footprints, our impact on the environment and the availability of green spaces, disruption during construction of our developments including noise and air pollution, the safety and protection of members of the community

around our developments, the impact of development on the local population, and the potential for knock-on pressures on the supporting infrastructure and the impact of the development on the environmental resilience of the landscape, including on biodiversity, public green space and flood resistance.

Outcomes from engagement

Our engagement with the local communities in which we operate has enabled us to better understand their needs and to develop a positive legacy from building great places to live, with the facilities that will help the local community thrive. It has allowed us to connect with local schools and families to share key messages such as how we keep people safe and how they can protect themselves. We evaluated the actions that our supply chain undertakes on environmental matters and how we can positively partner with them to drive improvements. We have set internal targets to reduce waste from our construction process and are considering alternative fuels to diesel for plant and other equipment with our supply chain.

The protection of the environment is a key area of concern for the local communities in which we operate. We therefore aim to be mindful of our impact on the environment in everything that we do and have put in place steps to support this. We are accredited to ISO 14001 which demonstrates that we have robust policies and procedures for environmental management. We are also externally audited across all our business units. Our comprehensive Impacts and Aspects Register enables us to consider any areas where improvements can be made. All our Safety, Health and Environmental team are individual members of the Institution of Environmental Management and Assessment and provide support and guidance to our Divisional teams in managing site based environmental aspects and impacts. We have a team of sustainability practitioners who assist with considering our wider business environmental and carbon impacts and drive improvements across our business.

We have put in place environmental and surface water management plans for all our developments which are monitored by our Divisional Management teams and SHE Managers. We expect our construction teams to continually assess the controls and ensure that we focus on these and the use of resource. Our SHE Managers record levels of compliance as part of their regular reviews. We have a specific monthly monitoring process which focuses on the environmental impacts on site and, in particular, controls to prevent contamination of any adjacent watercourse.

We have set stringent, science-based targets for carbon emissions reduction and are committed to enhancing biodiversity on every site. We are aiming to achieve an overall environmental net gain on our developments by 2030.

We have increased the Barratt and David Wilson Community Fund from £1,000 per month to £1,500 per month with effect from 1 July 2022.

Effect of engagement with local communities and the environment on Board decisions

We monitor and report our impact publicly across a range of environmental indicators, including carbon emissions, water usage, waste generation, environmental incidents and prosecutions.

The Board are keen to ensure that the Group continues to support and enhance the local communities in which it operates (and that we support them as much as we can). Accordingly, the Board entered into a three-year funding agreement with the Barratt Foundation enabling it to engage in multi-year charitable partnerships and have a real positive impact on the communities in which we operate.

Stakeholder engagement CONTINUED

Government, opposition parties and regulators

Link to Strategic Priorities



Customer first



Leading construction



Great places



Investing in our people

Why we engage

The Government, opposition parties and regulators are responsible for setting the legal and regulatory environment in which we operate, while opposition MPs can also influence the Government's legislative programme. We engage with these groups so that we fully understand any potential changes to our operating environment, and so that policy decision-makers are aware of the industry's perspective, and the potential impact of any proposed changes on the sector, on the wider business environment, and on our customers.

How we engage

We engage with ministers, MPs and regulators through a number of channels.

Company Engagement:

We write letters to ministers, MPs and other key stakeholders to inform them about challenges the sector faces and the potential or actual impact of any proposed regulatory changes, and to showcase the good work we do and our commitment to being a responsible business. In FY22 we wrote to 73 MPs to inform them about Pride in the Job-winning site managers in their constituencies; to new ministers to introduce them to Barratt and help improve their understanding of the sector; to affected MPs about our having signed the Building Safety Pledge. We have also contacted stakeholders about specific policy issues on net zero, building safety and regulations, the environment and the impacts of inflation.

We also respond, in writing, to any complaints, feedback or comments we receive from MPs on behalf of their constituents. We look to investigate any issues or concerns raised and provide detailed and robust replies which set out clearly the actions we will be taking to address the points raised. Where appropriate we will arrange in-person meetings and site visits to arrive at a resolution. All such enquiries are logged and monitored at Group level, with this information used to inform and influence our ongoing stakeholder engagement

strategy. During FY22 we also continued to co-operate with the CMA in respect of their investigation into our selling practices around leasehold properties. As a result of the engagement with the CMA and the information provided to them, they announced on 16th August 2022 that they had closed their investigation against us. This is a positive outcome not only for the Company but also its stakeholders.

We have held or attended meetings with a number of senior ministers and shadow ministers throughout the year and senior leaders, function heads and members of the corporate communications team have also attended forums and roundtable events with policymakers concerning a range of subject areas. We met senior figures through our membership of the Government-sponsored Net Zero Buildings Council and the Green Jobs Delivery Group. We attended a number of discussions with the Government about building safety. Many events have returned to in-person meetings however there remains a significant element of online engagement.

We are members of a number of business forums through which we engage with policymakers as well as other industry leaders to share knowledge and advocate for our sector. Following on from our membership of the Green Jobs Taskforce, David Thomas is now a member of the Green Jobs Delivery Group, which is tasked with implementing the taskforce's recommendations on how to grow the skills required to reach net zero. We are also members of the Building Back Britain Commission, a group of industry leaders pushing for measures to support the Government in achieving its aims to 'level up', address regional disparities, and deliver the transition to low carbon homes.

We sponsor the All Party Parliamentary Groups on Housing Delivery, Net Zero, the West Midlands, and Women and Work. These enable us to increase understanding among policymakers in key areas that align to our strategic priorities. The APPGs on Net Zero, Women in Work and the West Midlands produced policy reports during the year which supported the strategic aims of the business and to which we contributed. We are also founding members of the Government's Early

Adopters Group, which led to the creation of an industry wide Building Safety Charter.

We regularly offer Government, opposition parties and regulatory stakeholders the opportunity to visit our sites and meet people at all stages of the housebuilding process, from trainee apprentices to our award winning senior site managers. We hosted a large number of key stakeholders at the Zed House this year, showcasing how we are leading the industry in developing the innovations needed to achieve net zero. We also hosted visits to the Insight House on our Heritage Grange development in Warwickshire (See page 23).

We responded to a number of consultations on legislation throughout the year, including those regarding sustainability and biodiversity, building regulations and building safety.

During the year, we helped produce two pieces of research through our membership of the Building Back Britain Commission. The first examined how housing can help the Government to achieve its goal of 'levelling up' left-behind parts of the United Kingdom, while the second considered the role of housing in achieving net zero. We also contributed to Policy Exchange's report on Street Votes and Richard Bacon MP's report into self-build, both of which have since directly informed government policy.

Board Level Engagement:

The Chief Executive provides an update on the engagement with, knowledge gained and impact on the business (if any), Government and regulators at each meeting. In addition, the Group Communications Team provide email updates on information received from government or regulators and the impact (if any) on the business.

Metrics – How we measure effectiveness

The following information is reported to the Board by the Chief Executive to enable it to consider and agree what, if any, changes to make in how and when we engage with the Government or regulators:

- Our political engagement plan – to ensure we meet with the right people and that messages shared align with the broader strategic aims of the business.
- Record of all engagement with key political stakeholders, including correspondence, meetings, site visits and mutual attendance at events, allowing us to track our relationships with policy-makers and make sure we continue to engage constructively on issues that affect our customers, communities and our business.

- Our responses to Government consultations and emerging legislation on relevant policy areas, such as the Residential Property Developer Tax, the Future Homes Standard and Buildings Regulations and the Levelling Up and Regeneration Bill. We assess the extent to which policy and legislative outcomes accord with our representations to policymakers.

Interests and concerns

The key interests and concerns of the Government and the regulators relate to matters such as sustainability – challenges and opportunities for achieving a net zero carbon economy and being a responsible business that does the right thing; planning reform – how to build 300,000 high quality homes in the right places per year while aligning with the Government's broader levelling up agenda; building safety

– addressing historic defects on mid and high-rise buildings and making sure the burden is shared fairly across the sector; quality – ensuring the sector continues to deliver high quality homes, while giving consumers greater rights of redress when things go wrong; and inflation – increases in the cost of living and the impact of inflation on the housebuilding sector and wider economy.

Outcomes from engagement

Engagement with Government, opposition parties and regulators has enabled us to forge relationships with established and new ministers and key policymakers. It has helped us to understand the organisation of the new Department of Levelling Up, Housing and Communities, and to contact new ministers and shadow ministers after reshuffles to raise awareness of the business. Engagement has improved Government's, opposition parties' and regulators' understanding of the sector, the challenges it faces and its importance to the wider economy. It has helped to continue to grow the business's reputation as a leader in the sector, especially in key areas of sustainability and responsible business.

It has improved our understanding of potential changes to the operating environment, allowing the business to prepare in advance such as workforce and skills planning, early investment in requisite change programmes, and actions to mitigate impacts on operations and supply chains. We were also one of the first major UK businesses to sign up to the Race to Zero, a global campaign rallying organisations to help halve global carbon emissions by 2030.

Effect of engagement with Government, opposition parties and regulators on Board decisions

Engagement with key political stakeholders assists the Board in understanding the risks and opportunities presented to the business by changes to the operating environment, allowing them to make decisions in line with the strategic interests of the business.

The Board established the Sustainability Committee to help drive the Group's sustainability agenda taking into account the feedback from engagement with Government and policymakers on the future direction of sustainability policy, such as around low carbon homes and biodiversity net gain.

The Board agreed to sign the Building Safety pledge following extensive engagement with Government on the issue. The Board has also gained knowledge of how evolving housing policy can impact the housing market at a local and national level, and therefore affect land bids which enables it to consider if the process and policies in place remain appropriate.

Risk management

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

The risks facing the Group could have a material adverse effect on the implementation of the Group strategy, our business, financial performance, shareholder value and returns, and reputation. Changes in the economic or trading environment can affect the

likelihood and potential impact of risks, and may create new risks. In FY22, we have continued to evolve and enhance our risk management policies and processes.

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

As part of the evolution of the Group's risk management framework, there have been several regional and function risk workshops to review and identify any potential emerging risks. These workshops presented a robust challenge to the principal risks identified at an executive level. During this process, we have reviewed the policies and methodologies behind our risk management to ensure we are continuing to identify key risks and can focus on mitigating these areas.

| | |
|---|---|
| Board and sub committees <small>(see page 82)</small> | <ul style="list-style-type: none"> Responsible for corporate strategy, governance, performance, internal controls and risk management. Monitors the effectiveness of the Group's risk management and internal controls systems. Ensures there is an appropriate culture in place to support effective risk management throughout the Group. Sets risk appetite, considering the expectations of stakeholders, and macroeconomic context. Monitors principal and emerging risks with input from independent experts. Assesses risks against the Group's strategy and the interests of stakeholders, and gains assurance on their management. |
| Executive Committee and sub committees <small>(see page 82)</small> | <ul style="list-style-type: none"> Monitors business and operational performance and changes in key risks. Through the Risk Committee, assesses identified risks using a scoring system based on the likelihood of the risk materialising and potential impact on the business. Implements mitigation strategies to effectively manage key risks within the Group's risk appetite. Responsible for ensuring that risk management is embedded within the business and appropriate actions are taken to manage risk. Delegates risk oversight to appropriate management committees. |
| Group, Regional and Divisional Management | <ul style="list-style-type: none"> Applies specialist knowledge and research to identify new and monitor changes to existing operational and strategic risks at a divisional, regional and functional level. Responsible for risk management and control within the relevant division, region or group discipline. |
| Site management, assessments and valuations | <ul style="list-style-type: none"> Identifies and assesses operational risks affecting housebuilding activity at a site level, including construction, sub-contractor and SHE risk. Maintains an effective system of site-level risk management and internal control. |

In April 2022, we signed the Industry Building Safety Pledge to commit to supporting leaseholders by funding or remediating life-critical fire safety works in buildings over 11 metres tall, which we have played a role in developing over the last 30 years. The amounts provided in the financial statements reflect the current best estimate of the extent and future costs of work required; however, these estimates may be updated as work progresses or as government legislation or regulations develop. Therefore, this has been highlighted as a principal risk this year.

The Group continues to assess the potential impact of both the physical impact of climate change and the regulatory and social measures that may be adopted to mitigate against it. Climate change remains a principal risk and, in line with amendments to the listing

rules to require compliance with the recommendations of the Task Force for Climate-related Financial Disclosures, the Group has disclosed its response on pages 58 to 71.

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

Following the executive review of principal risks, we determined that social trends no longer present an emerging risk to the Group.

Overall assessment

The Board has completed its assessment of the Group's principal and emerging risks, including those that would threaten its business model, future performance, solvency or liquidity.

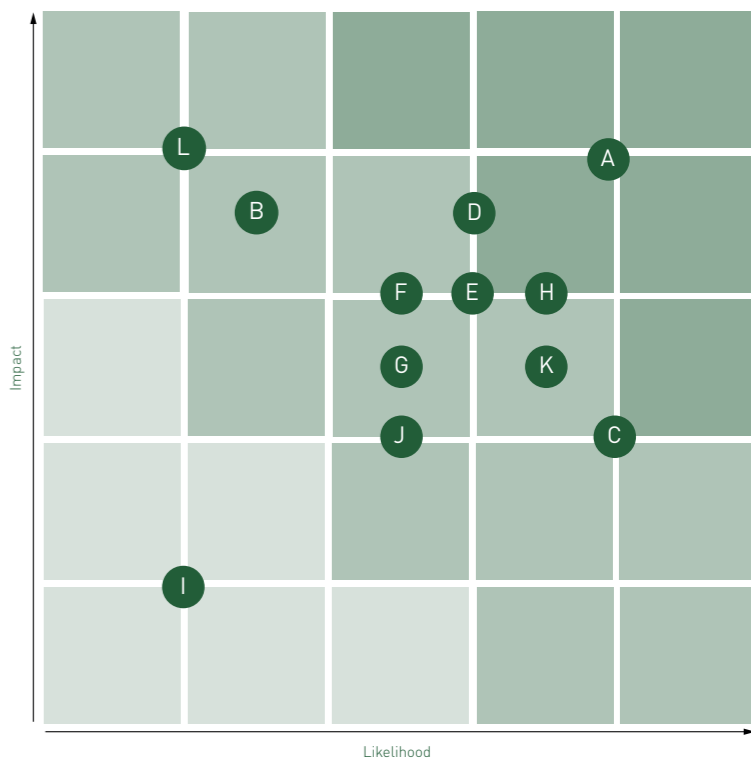
The current risk profile is within our tolerance range; the Group is willing to accept a moderate level of operational risk to deliver financial returns.

There may be instances where these risks could have a moderate adverse impact on the Group – either financially or operationally. To ensure the Group's business model remains resilient over the medium and long term, the Group has modelled these scenarios alongside achievable mitigating actions. The results are presented in the Viability Statement on pages 72 and 73.

The Group has identified 12 principal risks that it considers to be of material operational impact and likelihood:

- A Economic environment, including housing demand and mortgage availability
- B Land availability
- C Government regulation and planning policy
- D Construction
- E Availability of raw materials, sub-contractors and suppliers
- F Legacy properties
- G Safety, health and environment
- H Attracting and retaining high-calibre employees
- I Availability of finance and working capital
- J IT, including cyber security
- K Climate change
- L Significant nationwide unexpected event affecting multiple locations

Heat map of principal risks net of mitigation



These risks are detailed on pages 54 to 57, categorised by the strategic priorities to which they relate. Risk levels are presented net of mitigation that is in place and the risk appetite defines the level of risk that the Board is comfortable with. A new risk has been detailed on page 55 for legacy properties. The illustration of the probability does not consider the relative size of any associated financial or reputational impact of each item.

Principal risks

Customer first

A Economic environment, including housing demand and mortgage availability

| Risk level H | Risk appetite M | Responsibility: Executive Committee |
|---|--|--|
| Risk description | Response/mitigation | Key risk indicators |
| Changes in the UK macroeconomic environment may lead to falling demand or tightened mortgage availability, on which most of our customers are reliant, reducing the affordability of our homes. This could result in reduced sales volumes and affect our ability to provide profitable growth. | <ul style="list-style-type: none"> Continual monitoring of the market at Board, Executive Committee, regional and operating divisional levels, leading to amendments in the Group's forecasts and planning as necessary. Comprehensive sales policies, regular reviews of pricing in local markets and development of good relationships with mortgage lenders. Disciplined operating framework with an appropriate capital structure and strong balance sheet. | <p>Internal:</p> <p>Gross and operating margins, PBT, ROCE, EPS, TSR, total home completions.</p> <p>External:</p> <p>GDP growth, CPI inflation, mortgage approvals, mortgage affordability, new housebuilding site starts</p> |

Great places

B Land availability

| Risk level M | Risk appetite M | Responsibility: Land Committee |
|--|--|--|
| Risk description | Response/mitigation | Key risk indicators |
| An inability to secure sufficient consented land and strategic land options at appropriate cost and quality in the right locations to enhance communities, could affect our ability to grow sales volumes and/or meet our margin and site ROCE hurdle rates. | <ul style="list-style-type: none"> All 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. Purchase of Gladman Developments Limited. | Land approvals (plots). |

C Government regulation and planning policy

| Risk level M | Risk appetite L | Responsibility: Operations Committee |
|---|--|--|
| Risk description | Response/mitigation | Key risk indicators |
| Changes in the regulatory environment may affect the conditions and time taken to obtain planning approval and technical requirements including changes to Building Regulations or environmental regulations, such as nutrient neutrality, increasing the challenge of providing quality homes where they are most needed. Such changes may also impact our ability to meet our margin or site ROCE hurdle rates. | <ul style="list-style-type: none"> In-house technical and planning expertise focused on 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 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. | Gross and operating margin, PBT, ROCE, EPS, TSR, total home completions. |

Risk level/appetite **H** High risk **M** Medium risk **L** Low risk

Change from previous year Increase Decrease No change **N** New

Leading construction

D Construction

| Risk level H | Risk appetite L | Responsibility: Operations Committee |
|--|--|---|
| Risk description | Response/mitigation | Key risk indicators |
| Failure to achieve excellence in construction, such as design and construction defects, deviation from environmental standards, or through an inability to develop and implement new and innovative construction methods. This could increase costs, expose the Group to future remediation liabilities, and result in poor product quality, reduced selling prices and sales volumes. | <ul style="list-style-type: none"> Continuous review of design and materials, which are evaluated by technical experts including the NHBC, to ensure compliance with all regulations. Monitoring and improving the environmental and sustainability impact of construction methods and materials. Implementation of MMC by design and technical teams. Detailed build programmes supported by a robust quality assurance. Use of competent engineers through an approved panel. | Customer service, total home completions, gross margin, operating margin, PBT, ROCE EPS, construction waste intensity and carbon intensity. |

E Availability of raw materials, sub-contractors and suppliers

| Risk level M | Risk appetite L | Responsibility: Operations Committee |
|---|---|--|
| Risk description | Response/mitigation | Key risk indicators |
| Not adequately responding to shortages or increased costs of materials and skilled labour or the failure of a key supplier, may lead to increased costs and delays in construction. It may also impact our ability to achieve disciplined growth in the provision of high-quality homes. | <ul style="list-style-type: none"> Centralised team procures most materials from within the UK including sub-contractor 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. Development of multiple supplier relationships for labour and material supplies, with contingency plans should any key supplier fail. Control of build and material costs throughout build programmes. Adhere to the Prompt Payment Code to support our partners. | Customer service, gross and operating margin, PBT, ROCE, EPS, TSR, total home completions. |

F Legacy properties

| Risk level M N | Risk appetite L N | Responsibility: Operations Committee |
|--|--|--|
| Risk description | Response/mitigation | Key risk indicators |
| In April 2022, we signed the Industry Building Safety Pledge, to support leaseholders by funding or remediating life-critical fire safety works in buildings of over 11 metres which we have played a role in developing over the last 30 years. The amounts provided in the Financial Statements reflect the best estimate of the extent and costs of work required; however, these will be updated as work progresses or as government legislation or regulations develop. | <ul style="list-style-type: none"> Dedicated Building Safety Unit has been set up to manage the remediation work. Assumptions on the estimated financial costs have been tested and challenged robustly. | Gross and operating margin, PBT, ROCE, EPS. |

Principal risks CONTINUED

Investing in our people

Safety, health and environment





| Risk level   | Risk appetite   | Responsibility: Safety, Health and Environment Operating Committee |
|---|--|---|
| Risk description | Response/mitigation | Key risk indicators |
| Health and safety or environmental breaches can impact employees, sub-contractors and site visitors, and undermine the creation of a great place to work. They can also affect the wellbeing of our employees and result in reputational damage, criminal prosecution and civil litigation, and delays in construction or increased costs. | <ul style="list-style-type: none"> Dedicated internal health and safety team. Regular health and safety monitoring, internal and external audits of all operational units, and regular senior management reviews of developments. SHE management system that continually reinforces Group SHE policies and procedures. Dedicated SHE Board and SHE Operations Committee that review key performance indicators and improvement plans. Quarterly performance reviews by divisional management in all operating units. Independent reviews of our SHE processes. | Health and safety (SHE audit compliance). |




Attracting and retaining high-calibre employees

| Risk level   | Risk appetite   | Responsibility: Executive Committee |
|---|---|--|
| Risk description | Response/mitigation | Key risk indicators |
| Increasing competition for skills may mean we are unable to recruit and/or retain the best people. Having sufficient skilled employees is critical to delivery of the Group's strategy of volume growth whilst maintaining excellence in all of our other strategic priorities. | <ul style="list-style-type: none"> Comprehensive HR programmes covering apprenticeships, graduate development, succession planning and training academies. Personal development plans for all employees. Development of a hybrid working model. Monitoring of employee turnover, absence statistics and feedback from exit interviews. Annual employee engagement survey to measure employee satisfaction. Remuneration benchmarking against competitors. | Employee engagement score. |

Underlying all priorities

Availability of finance and working capital





| Risk level   | Risk appetite   | Responsibility: Treasury Committee |
|--|---|--|
| Risk description | Response/mitigation | Key risk indicators |
| Lack of sufficient borrowing and surety facilities to settle liabilities and/or an ability to manage working capital, may mean we are unable to respond to changes in the economic environment, and take advantage of appropriate land buying and operational opportunities to deliver strategic priorities. | <ul style="list-style-type: none"> Disciplined operating framework with an appropriate capital structure. Management have stress tested the Group's resilience and consider the funding available to be sufficient. | Average net cash, minimal year end indebtedness. |

Risk level/appetite  High risk  Medium risk  Low risk





Change from previous year  Increase  Decrease  No change  New

Underlying all priorities




IT

| Risk level   | Risk appetite   | Responsibility: Technology Risk Sub-committee |
|---|--|--|
| Risk description | Response/mitigation | Key risk indicators |
| A successful cyber attack on, or failure of, any of the Group's key systems, particularly those for customer information, surveying and valuation, could restrict operations and disrupt progress in strategic priorities. Any breaches that lead to non-compliance with data regulations could incur significant financial penalties and reputational damage. | <ul style="list-style-type: none"> Technology Risk Sub-Committee provides oversight of technology risk. Regular external reviews to reduce the risk of successful cyber attacks, including vulnerability and penetration tests by third parties. Group-wide compliance and policies on passwords and transferring data to third parties. Mandatory information security training programme for all new employees. Adoption of the recognised NIST control framework. Entered into an information security risk insurance policy. Continued investment in IT infrastructure. | Customer service gross and operating margin, PBT, ROCE, EPS. |

Climate change

| Risk level   | Risk appetite   | Responsibility: Executive Committee |
|--|---|--|
| Risk description | Response/mitigation | Key risk indicators |
| In the short to medium term, if the Group does not further enhance its sustainable business practices to meet government regulations and customer and investor expectations, it may build homes that are not seen as fit for purpose or incur significant extra costs. | <ul style="list-style-type: none"> New Board Sustainability Committee to oversee the business' response to climate risks. Committed to reduce the Group's carbon emissions, including those from its completed homes and supply chain. Review of Future Homes Standard, effective in 2025, to adapt and plan for compliance. Undertaken a detailed climate risk and opportunities review in consultation with internal business experts and external consultants. Progressed scenario analysis to determine the resilience of the Group's business model under different climate-related scenarios. Developed a net zero transition pathway for our whole value chain | Carbon intensity. |

Significant nationwide unexpected event affecting multiple locations

| Risk level   | Risk appetite   | Responsibility: Executive Committee |
|--|--|--|
| Risk description | Response/mitigation | Key risk indicators |
| A significant unexpected event, such as the COVID-19 pandemic or the failure of national infrastructure. | <ul style="list-style-type: none"> Reviewed business continuity plans in place for possible failures in communications or infrastructure, covering operations at a national and local level. Stress-testing of the Group's available financing facilities to ensure resilience to a sudden economic shock. | Total indebtedness / surplus. |

Climate related risks and opportunities

Taskforce for Climate-related Financial Disclosures (TCFD)

We recognise the immediacy and severity of climate change and the associated financial risks. Our stakeholders need clear and consistent information on the climate resilience of organisations, the management of climate risk and opportunities and the potential financial implications.

Resilience is a key focus area within our Building Sustainably framework. For us this means building long-term resilience for our homes and communities against climate change risks through innovation, planning and education, whilst also playing a leadership role in our net zero journey by supporting our value chain and wider industry.

The Group is determined to be the leading national sustainable housebuilder, with our TCFD programme an integral part of this strategy. The Board therefore has a duty to the Group's stakeholders to assess the climate related impacts on its business model.

In last year's Annual Report, we recognised climate change as a principal risk to the Group, signalling its significance. The Group has used the TCFD framework, as set out below, to enhance our governance over sustainability matters.

Our strategies and risk management, including scenario analyses assessing the potential financial impacts, have been holistically reviewed, whilst also considering the opportunities the transition to a low carbon economy represents to our business and stakeholders. We have set out our established targets and metrics, though it is expected that these will expand in future with our strategies. Our disclosure concludes with our whole value net zero transition pathway.

Both our understanding of the impact of climate change and our response continue to evolve, and as such we will refine our assessment of climate-related risk and pursue further initiatives within our ongoing strategy.

During the programme the Group has worked collaboratively and cross functionally, bringing in experts where required such as PwC, ensuring that our analysis is robust and thorough.

The Company can state that in accordance with Listing Rule 9.8.6 R, these Annual Report and Accounts include climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures.

Assurance

Deloitte have provided independent third-party limited assurance in accordance with the International Standard for Assurance Engagements 3000 ('ISAE 3000') and Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410') issued by the International Auditing and Assurance Standards Board ('IAASB') over the TCFD on pages 58 to 72 and selected metrics on page 69. Deloitte's full unqualified assurance opinion, which includes details of the selected metrics assured, can be found at www.barrattddevelopments.co.uk/building-sustainably/our-publications-and-policies/publications.

TCFD Framework

| TCFD area | Our response | Focus for FY23 | Further information |
|----------------------------|---|---|---|
| Governance | Set up the new Sustainability Committee in June 2021, with the first meeting in November 2021, to assist the Board's scrutiny and oversight of climate risks and opportunities. Undertook Board training to ensure members had the expertise to meet their responsibilities. | Continued monitoring of the projected impact of climate change and the Group's implementation of its strategy. | See the Sustainability Committee Report on page 102. The Group's governance processes for climate risk are described overleaf. |
| Strategy | Identified and financially quantified the climate-related risks and opportunities most material to the Group. Identified four plausible outcomes of climate change based on IEA and NGFS scenarios, and modelled the potential impact on the Group's business model. The Sustainability Committee reviewed these results and assessed the appropriateness of the Group's strategy. Incorporated the results of scenario modelling into the assessment of valuation of assets and liabilities in the Financial Statements. | Implement ongoing review of climate risks and opportunities to ensure impact assessments are updated with the latest climate science and business understanding. Integration of climate risk and opportunity modelling into the Group's three-year planning cycle. | Material climate risks and opportunities, with our responses, are shown on pages 62 and 63. Scenario analysis and results shown on pages 64 and 65. Impact on financial reporting and planning shown on page 66. |
| Risk management | Undertook a climate-related risk and opportunities identification process, forming a climate risk register documenting the most material risks and opportunities. This was integrated into the Group's wider risk register and senior management were assigned responsibility for mitigating action. | Monitoring of risk mitigation and opportunity implementation through the Risk Committee. | See the description of the Group's risk governance on page 59. Specific information on climate risk management is included on page 60. |
| Metrics and targets | Adopted science-based targets for scopes 1, 2 and 3 greenhouse gas emissions. Regular monitoring of these emissions against approved science-based targets. Set out a transition pathway to achieve net zero emissions, both reducing the Group's climate impact and protecting it from increased transition risk. Included reduction of scope 1 and 2 emissions as a performance condition for the vesting of the 2021 and 2022 LTPP share award. | Incorporate climate risks, including carbon price developments, into financial forecasting. Integration of further metrics reporting to monitor impact of specific climate risks. | Our greenhouse gas emissions and information on our science-based targets are on pages 68 and 69. The Group's KPIs, including carbon reduction, are on page 05. Details of the LTPP performance conditions are included on page 114. The Group's transition pathway to net zero is detailed on pages 70 to 71. |

Climate related risks and opportunities

Governance of climate risk

Governance of climate risk and opportunities

Ultimate responsibility for the long-term sustainable success of the Company lies with the Board, who determine the purpose, values, culture, strategy, governance and risk management framework. During the year, the Board established the Sustainability Committee, a sub-committee of the Board responsible for debating, reviewing and scrutinising our sustainability and climate change strategy, monitoring its implementation and approval of plans to mitigate risks and leverage opportunities. Its terms of reference (available here: www.barrattddevelopments.co.uk/investors/corporate-governance) specify a particular focus on climate-related risks and opportunities, including the identification of such risks and opportunities and the scrutiny of the business response. The Sustainability Committee Report on pages 99 to 104 details its responsibilities and climate-related decisions taken in the year, as well as its interaction with other Board committees.

Climate-related issues are a standing agenda item for Sustainability Committee meetings. During the year, climate risk was discussed by the Sustainability Committee at three meetings. The

competencies of the Board are set out on page 74 and 75. Given the specialised knowledge required to understand and respond to climate risk, Board undertook training on climate change during the year, covering the following:

- An overview of climate science: what is driving climate change, what it might lead to, and efforts being taken to limit it;
- Key physical and transition climate risks and opportunities;
- The TCFD recommendations and best practice;
- An introduction to the World Economic Forum principles of climate change governance;
- Updates on emerging industry best practice around climate and potential implications for the Group, for example the Better Building Partnership's Net Zero Carbon Pathway Framework; and
- Carbon pricing.

Board members have also undertaken a visit of the Zed House (see page 14) during the year to better understand the Group's research into potential mitigations and opportunities in house design.

The Sustainability Committee meetings are also attended by an independent adviser to provide further challenge and scrutiny.

Some climate-related decisions and matters are reserved for other Committees with delegated authority from the Board, which are highlighted below. The Risk Committee is a management committee that reports to the Audit Committee.



Risk Committee

Evaluates the Group's internal control policies and procedures over the identification, assessment and reporting of climate-related risks.

Reviews the Group's overall risk profile, examining climate-related risks in the context of the Group's other principal risks and its significance to strategy.

Audit Committee

Monitors the integrity of climate-related disclosures and the Group's compliance with climate-related reporting requirements.

Oversees internal and external assurance of the reporting of climate-related metrics.

Remuneration Committee

Designs and implements the Group's remuneration policy, ensuring alignment with climate-related targets.

Monitors performance against targets and approves remuneration accordingly.

SHE Committee

Mitigates SHE risk through risk assessments and the monitoring of compliance with the SHE management system. This includes monitoring climate-related SHE risks, such as the impact of weather patterns on our workforce.

In order to achieve its climate-related objectives, the Board and its sub-committees assign responsibility to working groups of senior management. These management groups are set out in the Sustainability Governance structure on page 101.

Climate related risks and opportunities CONTINUED

Approach to climate risk

Climate risk identification and assessment

In the prior year, to fully understand the implications of climate change, the Board instigated a detailed review of the key risks to and opportunities for the Group's business model, identifying the timeframes over which they are expected to materialise and their potential financial impact. This considered both the physical effects of changing weather and the economic and regulatory transitions required for society to either mitigate climate change or adapt to a new environment, and resulted in the creation of a climate risk and opportunities register. In FY22, the Group has assessed the potential financial impact of each of its climate-related risks and opportunities, as summarised below.

The Group recognises that the understanding of the potential impact of climate change requires management to assess the latest policy announcements and available scientific and socio-economic predictions. Management reviews this information on an annual basis, with assistance from external experts, considering updates to the Group's business plan and financial forecasts, and will update the climate risk and opportunities register accordingly, reporting to the Sustainability Committee.

In FY22, management engaged a third party expert to assess emerging climate-related risks. The results of this review will be reflected in climate modelling for FY23, as detailed on page 64.

Climate-related risk, alongside the other risks to the Group, is also assessed on an ongoing basis through the risk review process, governed by the Risk Committee as described on page 57. This includes a bottom-up assessment of the risks affecting the business at a site and divisional level, and a review by senior management and subject matter experts from across the business. The identified risks are consolidated and presented to the Risk Committee for review.



Risk assessment criteria

The likelihood and potential impact of each risk were rated in line with the Group's risk assessment process, shown in the Risk assessment criteria table.

The likelihood assessment reflects the probability of the issue having a significant impact on the Group at any point over the period to 2040, considering the likelihood of the climate outcomes, economic conditions and business events required for a significant impact to occur. In this context, a significant impact refers to an operational or financial effect that would require an active response or strategic planning by senior management.

The impact assessment reflects the estimated profit impact of that risk within the financial year and climate scenario in which the financial impact is likely to be most severe, based on the financial impact assessment described above. Where the profit impact of a long-term obligation would be recognised up-front, for instance in the recognition of a non-current provision, the financial impact is spread over the period that it will be realised for this purpose.

The Group's definition of a substantial financial impact of over £50m aligns with the materiality set by the Group's statutory auditor, as set out on page 132.

Climate risks are categorised into 'physical risks', being risks arising from the physical effects of climate change, and 'transition risks', being the risks related to the transition of a lower carbon economy.



David Wilson homes at Fairfield Croft, York



The Group's climate-related transition risks, physical risks and opportunities with the highest risk ratings are shown on pages 62 to 63. The time frames presented are the periods over which the risks and opportunities could manifest to a significant impact, in which short, medium and long term are defined as on page 66.

Risk management and response

The Sustainability Committee and Audit Committee reviews the climate risk register as part of the annual cycle to ensure that the assigned mitigating actions remain appropriate and are being implemented. Priority is given to those risks with a high rating that may manifest over the short to medium term.

Ongoing oversight of the implementation and effectiveness of these actions is delegated to the Sustainability Operations Group, a senior management committee

led by the Group Sustainability Director. This meets monthly and comprises of operational function leaders, ensuring that the Group's climate risk and opportunities strategy is communicated, implemented and monitored throughout the business.

The Group's general risk management structure and processes are detailed on page 52. Climate-related risks and opportunities and the assigned actions are reviewed and approved by the Sustainability Committee before submission to the Risk Committee for inclusion in the Group's overall risk management framework, including its combined risk register.

Risk assessment criteria

| | | IMPACT | | | | |
|------------|----------------|--------|-----------|------------|-------------|-------------|
| | | < £1m | £1m > £5m | £5m > £10m | £10m > £50m | > £50m |
| | | Low | Minor | Moderate | Major | Substantial |
| LIKELIHOOD | Almost Certain | | | | | HIGH |
| | Likely | | | | | |
| | Possible | | | MEDIUM | | |
| | Unlikely | | | | | |
| | Rare | LOW | | | | |

Climate related risks and opportunities CONTINUED

Our risks and opportunities

| Risk | Description | Impact time frame | Our response |
|--|--|---------------------|---|
| Highest rated transition risks | | | |
| Carbon pricing Risk rating HIGH | Government legislation designed to reduce emissions increase material costs, amplified by an increased demand for low-carbon materials | Short to long term | We were the first national housebuilder to implement science-based targets for our scope 1 & 2 and scope 3 emissions, allowing us to take a leadership role in driving down emissions. We have developed a transition pathway to reduce emissions across all of our value chain. See page 70. |
| Housing regulations Risk rating HIGH | Changes to house specifications due to government legislation to reduce home emissions, for example the Future Homes Standard, including varying standards across the UK | Short to long term | We regularly engage with government to enhance understanding of the challenges of meeting the UK's net zero targets (see page 50). We are also members of the Home Builders Federation Future Homes Task Force, formalised into the Future Homes Hub, and a business partner for the Construction Leadership Council's Construct Zero initiative. |
| New technologies Risk rating HIGH | Implementation of new technologies in homes and methods of construction, requiring high capital investment and upskilling of labour | Medium term | We review low carbon products, systems and processes for our hometypes through market research, product testing, university and research collaborations, prototype test houses and grant funded trials. In 2021, we built our zero carbon home prototype – The Zed House (see page 14). In May, we commenced building our Energy House 2.0, a unique research laboratory at the University of Salford testing products to deliver viable net zero carbon housing at scale. |
| Planning requirements Risk rating HIGH | Increasing planning or site infrastructure requirements from government and local authorities result in reduced viability of land in certain regions | Medium to long term | We work with landowners to ensure developments will comply with requirements and meet margin thresholds. We undertake detailed assessments of construction and operational requirements like costs of electric vehicle charging points and our ability to mitigate build costs. Our central Land and Development Leadership Group scrutinises land acquisitions for viability and compliance, including reviewing specific planning requirements, water scarcity risk, integration of green and blue infrastructure and renewable energy generation opportunities. |
| Highest rated physical risks | | | |
| Supply availability Risk rating MEDIUM | Reduced supply availability (such as timber) due to changes in climate patterns and extreme weather events where the supply is sourced | Short to long term | We regularly engage with our suppliers on availability of materials and sustainable sourcing both directly and through our Supply Chain Sustainability School. We purchase 99% of our timber from FSC or PEFC certified sources and consider supply sustainability at tender and contract renewal stage. |
| Weather disruption Risk rating MEDIUM | Disruption due to increased frequency of severe weather including heat, cold or precipitation, or damage to construction sites from extreme weather events | Short to long term | We closely monitor weather forecasts to ensure worker safety, and make preparations or adjust build schedules as appropriate. A crisis management plan is in place for extreme weather events. MMC, such as timber frame, allow for parts of the construction process to occur off-site, increasing build speed, reducing exposure to the elements before it is sealed. See page 28. |

| Risk | Description | Impact time frame | Our response |
|---|--|----------------------|--|
| Highest rated physical risks | | | |
| Overheating in homes Risk rating MEDIUM | Changes to house specifications required to mitigate long-term shift in climate patterns, such as prolonged increased temperatures in summer | Long term | We have analysed the unmitigated impact of temperature rises in our hometypes across the UK, and assessed mitigating overheating through altering home designs. These measures reduce the temperatures to acceptable levels in all locations, time periods (up to 2040) and climate scenarios. These measures are expected to be cost neutral, though in some of the worst-affected areas, additional cost may be required. We are participating in industry research on overheating and indoor air quality with Birmingham City University and other housebuilders. |
| Flood mitigation Risk rating LOW | New site infrastructure required to mitigate extreme weather events, such as flood barriers and balancing ponds | Medium to long term | Flood risk assessments are a key part of our land appraisals. Relevant flood risk authorities specify that new developments must survive a one in 100-year storm plus 30%. Our developments exceed this specification. |
| Highest rated opportunities | | | |
| Demand for and affordability of green homes Opportunity rating HIGH | Eligibility for green mortgages and cost savings from energy efficiency allow for increased affordability of new homes | Short to long term | We promote green mortgages so that savings from energy efficient homes can be linked to affordability. We are working with banks and building societies to offer green mortgages to our customers with lower interest rates in recognition of these potential energy savings. See page 22. |
| Green developments Opportunity rating HIGH | Increased land buying and local partnership opportunities through strong low carbon credentials and developments, such as partnering with councils to deliver low carbon homes | Medium term | We promote our sustainability activities through delivery on commitments, and participation in sustainability benchmarks and indices to demonstrate our industry-leading performance. (See page 21). We have increased engagement with landowners on sustainability, including attendance by the Group Sustainability Director and focusing on sustainability initiatives in our landowner publications. Through the delivery of our low carbon roadmap, we can work with local authorities to identify opportunities to deliver low carbon developments like our first 'all electric' development – Delamere Park, Frome (see page 29). |
| Green finance Opportunity rating MEDIUM | Our sustainability performance opens green financing opportunities | Short to medium term | We are working with lenders to introduce green covenants to our banking facilities, through Sustainability Linked Financing. |
| Sustainable practices Opportunity rating LOW | Proactive adoption of low-emission materials and processes provides a cost advantage and improves reputation | Short to medium term | Our transition to net zero (see pages 70 to 71) will reduce emissions across our value chain. We are reducing emissions from our homes in keeping with regulations, and beyond that we are working with our partners to explore innovative materials and products (see page 14). |

Climate related risks and opportunities CONTINUED

Scenario Analysis

Climate scenario analysis

The Group's extended forecasts (as considered in its viability review and impairment assessments) are based on the IEA's 'Stated Policies' model, whereby global climate commitments are met in full and on time, leading to a global temperature rise of 2.7°C by 2100, giving rise to both physical and transition risks. For the UK, this includes the Ten Point Plan, the 2020 Energy White Paper and achievement of the 2021 net zero transition targets. This forms the basis of our financial planning, as discussed on page 66.

To stress test the Group's performance, we have defined three climate scenarios for analysis in order to understand the resilience of the business under a range of different climate outcomes. The scenarios range from a sustainable transition that limits global warming to 1.5°C, to an adaptation scenario where emissions continue on the current pathway, which leads to around 4°C warming, such that they cover both high physical and high transition risks. The balance of transition and physical risk in each scenario is shown in the adjacent graph, alongside the risk levels arising should current climate policies and targets be achieved ('Stated Policies').

Climate-related risk and opportunities impacts will be assessed over the short (2025), medium (2030) and long terms (2040). This range of time horizons considers a longer period than the Group's usual operational cycle and have been selected to align to the Group's existing emissions reduction targets, whilst considering a timeframe over which both transitional and physical risks manifest to a material level. The short-term timeframe aligns with the Group's owned land bank and the Group's strategic land options and land promotion agreements will be realised over the medium-to-long term. While the Paris Agreement target is 2050, we have determined 2040 to be more suitable given that is when we aim to achieve our own net zero target.

Modelling methodology

For a sample of existing land bank and supply chain sites, we obtained localised climate data to a 90m² resolution based on the latest IPCC CMIP6 global climate models, providing projections for each of our scenarios and time horizons across several indicators, including flood, heat, precipitation and wind. We used these projections to determine the potential unmitigated impact in each of our divisions and across our supply chain under each climate scenario.

With the assistance of PwC, and in consultation with internal subject matter experts, for each scenario we modelled specific transition pathways, considering potential legislative, policy or behavioural changes and the impact these may have on the Group.

The Group's business model allows for industry-wide development costs to be passed on to the land vendor to some extent. To reflect this, it has been assumed that the land price paid for a site could be reduced up to the extent that the cost does not fall beneath the price that a landowner could achieve for an alternative use (taken to be the industrial use price per acre estimated by the Valuation Office Agency).

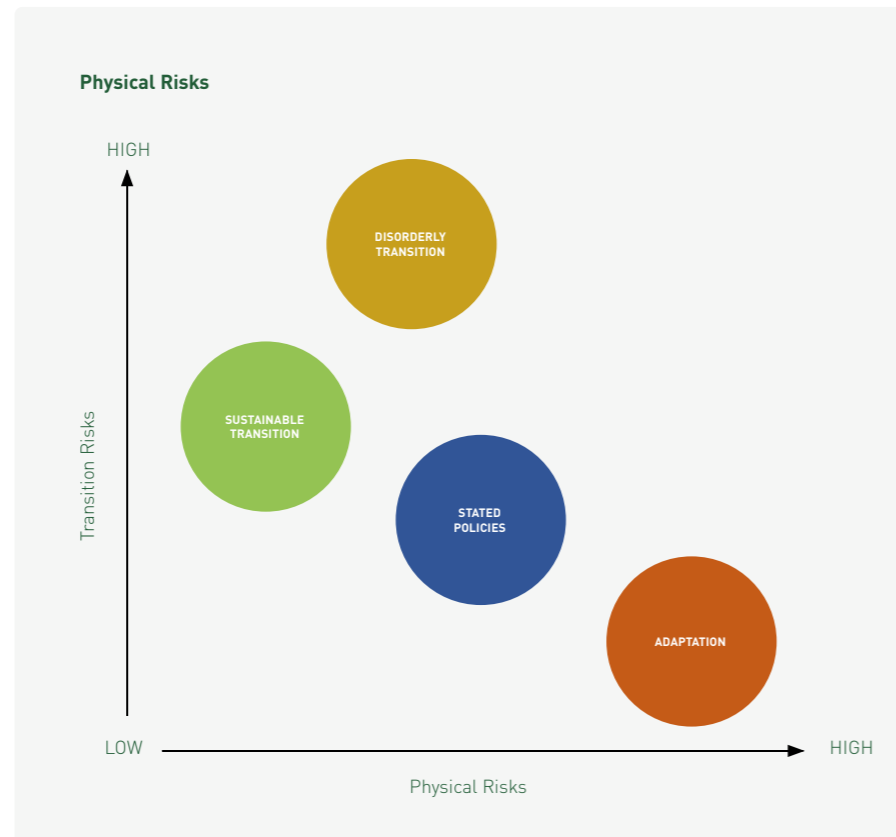
A summary of the results of the scenario analysis is shown on page 65, including the approximate financial impact of the highest transition risks, physical risks and opportunities, as well as the regional impact on margin (before mitigation).

Land Viability

Each of the variance maps on page 65 demonstrate our expected ability to pass climate-related costs onto land vendors through the cost of land. Due to the limited exposure to transition risk and action we are already taking to minimise exposure to physical risk, we would not expect a significant adverse impact to land viability under the 'Adaptation' scenario, in the timeframes modelled.

However, the maps for 'Sustainable Transition' and 'Disorderly Transition' highlight areas of the UK where residential land prices are less resilient, such as the North East. In these regions, we would be limited in our ability to pass through land costs, which could require accepting a margin decrease without taking action to reduce exposure to transition risk. This is before mitigating action and does not consider the UK Government's 'levelling up' agenda.

Relative exposure to transition and physical risks under each of the Group's climate scenarios



Scenario

Potential annual impact on profit before tax of most significant risks and opportunities (unmitigated)

| | | |
|--------------------------|-----|-------|
| Transition risk cost (T) | £0m | £400m |
| Physical risk cost (P) | £0m | £20m |
| Opportunity gain (O) | £0m | £80m |

% impact on gross margin in 2040 by region

0% fall in margin 5% fall in margin

Sustainable transition

1.5°C

We have used the IEA's 'Net Zero Emissions by 2050' (NZE2050) to model a long-term orderly transition to a low carbon economy occurring over the long term as sufficient regulatory action is taken to limit the global temperature rise to the Paris goal of 1.5°C by 2100, resulting in significant transition risks. This includes the early implementation of the Future Homes Standard, stricter planning requirements and sustained increases in carbon pricing from 2025, whilst customer and lending sentiment will be higher, providing greater opportunities.

| | 2025 | 2030 | 2040 |
|---------------------------|-------------|--------------|------------|
| (T) Carbon pricing | Light Blue | Medium Blue | Dark Blue |
| (T) Housing regulations | Light Blue | Medium Blue | Dark Blue |
| (T) Planning requirements | Light Blue | Medium Blue | Dark Blue |
| (P) Supply availability | Light Green | Medium Green | Dark Green |
| (O) Green mortgages | Light Green | Medium Green | Dark Green |



Disorderly transition

2.0°C

We have developed a bespoke scenario, adjusting IEA's 'Net Zero Emissions by 2050' model such that it reflects a disorderly transition, whereby limited regulation is in place until 2030, requiring extreme policies to be introduced from this date in order to limit warming to 2°C by 2100. The Future Homes Standard is introduced as planned, but carbon pricing and planning regulations steeply increase from 2030. This sudden, disorderly transition to a low carbon economy occurring over the medium term results in maximum transition risk.

| | 2025 | 2030 | 2040 |
|---------------------------|-------------|--------------|------------|
| (T) Carbon pricing | Light Blue | Medium Blue | Dark Blue |
| (T) Housing regulations | Light Blue | Medium Blue | Dark Blue |
| (T) Planning requirements | Light Blue | Medium Blue | Dark Blue |
| (P) Supply availability | Light Green | Medium Green | Dark Green |
| (O) Green mortgages | Light Green | Medium Green | Dark Green |



Adaptation

4.0°C

Global policy shifts away from prevention and towards adapting to a new climate, leading to a global temperature rise of 4°C by 2100, giving rise to maximum physical risk. As such, carbon pricing reduces, but Barratt contributes to additional cooling solutions in homes at risk of overheating in the worst affected areas. It is likely that the physical risks will be greater beyond 2040.

| | 2025 | 2030 | 2040 |
|-------------------------|-------------|--------------|------------|
| (T) Housing regulations | Light Blue | Medium Blue | Dark Blue |
| (T) Carbon pricing | Light Blue | Medium Blue | Dark Blue |
| (P) Overheating | Light Green | Medium Green | Dark Green |
| (P) Supply availability | Light Green | Medium Green | Dark Green |



Climate related risks and opportunities CONTINUED

Scenario Analysis

Overall financial impact

Under all scenarios, there are significant transition risks that are emerging such as the direct and indirect exposure to carbon pricing and the introduction of the higher requirements of the Future Homes Standard from 2025.

Therefore, to illustrate a directional picture of how the risks translate through our business plan, we have compared the potential unmitigated variance to profit before tax under each climate scenario against our 'Stated Policies' baseline, as presented in the graph below.



Strategic Impact
Based on the modelling and scope of analysis, under all scenarios and timeframes the Group's business model remains profitable. The modelling adopts a prudent view of a reduction in land prices that does not consider that alternative uses, principally for industrial activity, would also see increased costs. It also assumes that no mitigating action is taken beyond initiatives already built into our business plan.

The Group is most exposed to the transitional risks of climate change, such as increases in carbon pricing or acceleration of Building Regulations. As shown in our GHG emissions reporting, our value chain accounts for 99% of our emissions. We therefore recognise the critical importance of monitoring and reducing GHG emissions across the value chain by understanding the impact of individual suppliers and contractors, their plans to reduce their emissions, and in time preferring to work with those companies who align with our net zero transition pathway. The pathway is set out on pages 70 to 71, with our further responses, emerging and established strategies set out on page 71.

The Group will also update its home designs and construction techniques to mitigate against these risks, with examples of this already underway at our concept Zed House on pages 14 and our first site with no gas supply or gas connection at Delamare Park on pages 29.

In the period reviewed to 2040, the physical impact of climate change is expected to be limited due to the mitigations already being undertaken by the Group. This includes design changes to homes to avoid overheating in affected regions and flood risk assessments completed on all developments before a bid is made.

Through our response, our homes will lead the industry and the Group will be well placed, particularly in light of current energy costs, to meet increasing demand for energy efficient homes.

The results of scenario analysis have been reviewed by the Executive Directors and presented to the Sustainability and Audit Committees, alongside the proposed strategy for mitigating risks and capitalising on opportunities. Our targets and metrics to monitor and assess progress are set out on page 68.

Reflecting climate risk in the financial statements

In performing its scenario analysis, the Group has assessed the likely financial impact of announced climate-related policies and legislation, as well as the physical effects of the change in climate that is expected to result from such action.

The Group operates under a three-year forecasting cycle, into which known material climate-related impacts will be factored. In preparing the Financial Statements for the year, the results of this analysis have been considered as follows.

The expected costs of compliance with Part L of the Building Regulations, applicable from 15 June 2022, and design changes required to mitigate overheating in homes have been factored into the estimated costs to complete of developments in line with the accounting policy described in note 3 to the Financial Statements on page 145. The costs are reflected in the carrying values of inventories and the margins recognised for developments for which future completions will be affected.

To assess goodwill and intangible assets with an indefinite useful life for impairment, the Group determined the value in use of the housebuilding business through the present value of its forecast future cash flows, as described in note 11 to the Financial Statements on page 154. The cash flows forecast for years three to five reflect the likely outcome of announced policies, as modelled in the Group's climate scenario analysis for FY25 and extrapolated to perpetuity, thereby reflecting the short to medium-term effect of climate change.

In preparing its Annual Report and Accounts, the Group is required to determine whether there are any material uncertainties over its ability to continue to operate as a going concern (see note 1 to the Financial Statements on page 142) and to assess its prospects and financial liability over the longer term for disclosure in its Viability Statement (see page 72). To meet these requirements, the Group has sensitised its financial forecasts to the manifestation of its principal risks to a severe but plausible level over the three-year period to 30 June 2025. This assumed that the Group would experience climate-

related transition risk in line with the Sustainable Transition scenario, including an acceleration of the introduction of the Future Homes Standard and the increase in carbon pricing required to restrict the global temperature rise to 1.5°C. It was determined that, even when climate risk manifests concurrently with other principal risks, the Group remains able to meet its commitments and continue trading over the review period.

The Group uses the latest flood risk assessments when reviewing potential land acquisitions or options for strategic sites. In the scenario analysis, none of the Group's developments were identified as being at increased risk of flooding during their expected life, so no additional impairment was required.

FY23 areas for further analysis

The Group will continue to refine its understanding of the risks and opportunities arising from climate change as the UK's response develops, scientific understanding improves and relevant localised data becomes available. Following consultation with third-party experts and business leaders, four key areas of focus have been identified for further analysis in FY23, which will inform the Group's risk management. These are detailed in the table below.

| Area | Focus for FY23 |
|--|---|
| Physical risk in the longer term | In FY22, the Group focused its risk assessment on the period to 2040, to align with its current long-term strategic planning. The outcomes of scenario modelling have shown that physical risk is not likely to manifest to a significant level by this date (notwithstanding future analysis of standing water flooding data). The Group will extend its time horizon to consider scenarios in which physical risk manifests to a higher level in to inform strategy in the longer term. |
| New build energy-efficiency premium | Our current assessment of opportunities applies prudent assumptions based on market trends at the time of modelling. Recent increases in gas and electricity costs could have a significant impact on the desirability and affordability of new build homes, as well as the viability of future heating systems. Future modelling will assess likely medium and long-term movements in energy costs on house designs and future revenues. The Group continues to work with mortgage providers to unlock the potential of affordable energy efficient new homes. |
| Water scarcity | Whilst projections for changes in precipitation in the UK under the chosen climate scenarios do not suggest that water scarcity will represent a high physical risk to the Group, inconsistent planning for population growth across the country has led to increased difficulties in obtaining planning permissions in certain regions. Localised projections for changes to water scarcity will be incorporated into our scenario modelling by the Group to inform its land acquisition strategy in the medium to long term. |
| Standing water flooding | The Group's current assessment of physical risk considers potential increases in both river and coastal flooding at a development level. At the time of modelling, projections for standing water flooding, independent of existing water bodies, to the required granularity were not available. These projections are expected to be available for FY23, allowing the Group to update its viability assessment. This will allow the Group to ensure its current flood risk assessment procedures will remain appropriate in the medium and long term. |

Climate related risks and opportunities CONTINUED

Metrics and targets

To monitor progress of the Group's response to climate-related risks and opportunities, management monitor several indicative performance metrics.

As disclosed on page 66, scenario analysis demonstrates that the most significant climate-related risk to the business is increases in carbon pricing. The Group monitors its exposure to carbon pricing through its direct and indirect greenhouse gas emissions, as its energy usage and emissions of suppliers act as indicators of the activity that may be subject to future increases in regulatory costs.

The Group's direct greenhouse gas emissions are a small proportion of its total emissions, but it is important that, in its role as the leading national sustainable housebuilder, the Group leads the industry through its own emissions reductions, setting an example for its value chain to follow. Therefore, both direct (scope 1 and 2) and indirect (scope 3) emissions metrics are considered to be material to the Group.

Our carbon intensity KPI is presented in line with industry practice. Emissions principally occur as a direct consequence of build activity, hence the Group monitors them as a ratio to legally completed build area. To ensure that the Group achieves a reduction in emissions in line with a 1.5°C transition, we have committed to SBTi approved targets across our value chain, measuring direct and indirect emissions against the baseline year of 2018. Details of how we will achieve these targets are presented in the transition pathway on pages 70 to 71. During the year, the Group implemented regular site-level emissions reporting to local management.

In addition, the Group monitors the energy efficiency of its homes and its use of modern methods of construction to ensure it can benefit from the opportunities available for energy-efficient homes and construction processes.

The bases of reporting for sustainability-related metrics are presented on our website and include the metrics related to the risk of 'carbon pricing' in the table above. Their scope will be expanded to further climate risk related metrics as our reporting matures.

Performance against the Group's climate-related targets is reported to the Sustainability Committee, a sub-committee of the Board. Following the completion of scenario analysis during FY22, the Group is currently developing further metrics and reporting systems to monitor the other identified risks.

Further industry-wide metrics are included within our SASB disclosure on our website.

| Risk/ Opportunity | Metric | Target | FY22 Performance |
|--|--|---|--|
| Carbon pricing | Scope 1 and 2 (market based) greenhouse gas emissions (tCO ₂ e) | Reduce absolute scope 1 and 2 greenhouse gas emissions by 29% by 2025 from 2018 levels and to net zero by 2040. | 25,074 tCO ₂ e ON TRACK |
| | Scope 3 greenhouse gas emissions (tCO ₂ e) | Reduce scope 3 emissions intensity by 24% by 2030 from 2018 levels. | 219.27 tCO ₂ e/100m ² ON TRACK |
| Demand for and affordability of green homes | Percentage of home completions in year achieving an A or B EPC rating | 99% of home completions in year | 99% TARGET MET |
| New technologies | Use of offsite based products and systems in homes constructed | Use in 30% of homes by 2025 | 27% ON TRACK |

As our assessment and understanding of climate risk evolves, the Group will update its metrics and targets in line with its response. This will include operational metrics monitoring the implementation of the emissions reduction initiatives set out in our scope 1 and 2, and scope 3 transition pathways on pages 70 to 71. Management are also investigating the implementation of internal carbon pricing to allow future emissions to inform decision making. The Group has set out a roadmap for further ESG reporting improvements, overseen by the ESG Data Committee.

To drive the implementation of our climate-related targets, the Remuneration Committee included scope 1 and 2 greenhouse gas reduction as a performance measure for the LTPP awarded to Executive Directors and senior managers in October 2021, maximum vesting for which requires the Group to achieve a 30% reduction in emissions from their level in 2018 by 2025. Full details of the 2021 award to Executive Directors are presented in the Remuneration Committee report on pages 119. It is proposed that scope 1 and 2 greenhouse gas emissions reduction is also included as a performance measure for the 2022 award. The Group is currently working on the inclusion of scope 3 greenhouse gas reduction as a performance measure.

Greenhouse gas emissions

Our greenhouse gas emissions in FY22 are shown on page 69.

As discussed on page 20, the Group's scope 1 and 2 (market based) intensity has reduced from 1.78 to 1.53 tCO₂e/100m².

Our business grew our completions beyond FY19 pre-pandemic levels, with completions at the highest level since the global financial crisis. This increased activity, coupled with rising build cost inflation has meant Scope 3 carbon intensity has increased from 211.95 to 219.27, however this is below FY19 (the comparative year unaffected by the pandemic). Our calculation uses a spend-based method that is particularly affected by high price inflation in some carbon-intensive sectors of the supply chain. The increase in supply chain emissions is partially offset by a decrease in emissions from sold products due to improved energy efficiency in our homes.

We are engaging with key suppliers and subcontractors to obtain quantity-based emissions data to improve supply chain emissions reporting.

Climate related risks and opportunities CONTINUED

Greenhouse gas emissions

| Greenhouse gas emissions | | | 2022 | 2021 | 2020 | 2019 | 2018 | |
|--|----------------|--------------------------------------|--------------------------------------|-------------------|-----------|-----------|-----------|-----------|
| Scope 1 | | tCO ₂ e | 23,234* | 26,769 | 20,323 | 27,169 | 27,577 | |
| Scope 2 | Market Based | tCO ₂ e | 1,840* | 2,496 | 1,640 | 3,413 | 5,080 | |
| | Location based | tCO ₂ e | 4,802* | 5,973 | 4,260 | 5,162 | 6,716 | |
| Total gross scope 1 & 2 emissions | | | 25,074 | 29,265 | 21,963 | 30,582 | 32,657 | |
| | Market Based | tCO ₂ e | 28,036 | 32,742 | 24,583 | 32,331 | 34,293 | |
| Scope 1 & 2 energy consumption | | | | | | | | |
| | | MWh | 128,189* | 141,945 | 102,966 | 127,434 | 127,496 | |
| Carbon intensity (scope 1 & 2 emissions per 100m ² of legally completed build area) | | | | | | | | |
| | Market Based | tCO ₂ e/100m ² | 1.53* | 1.78 | 1.80 | 1.78 | 1.90 | |
| | Location based | tCO ₂ e/100m ² | 1.71* | 1.99 | 2.02 | 1.89 | 1.99 | |
| Scope 3 Category 1: Purchased goods & services | | | tCO ₂ e | 2,131,408 | 1,983,082 | 2,020,341 | 2,305,017 | 2,421,559 |
| Scope 3 Category 11: Use of sold products | | | tCO ₂ e | 1,244,317* | 1,352,982 | 930,797 | 1,311,087 | 1,273,346 |
| Other scope 3 emissions | | | tCO ₂ e | 220,814 | 148,189 | 177,919 | 217,907 | 160,785 |
| Total gross scope 3 emissions | | | tCO ₂ e | 3,596,538 | 3,484,253 | 3,129,057 | 3,834,011 | 3,855,690 |
| Total gross scope 3 carbon intensity (scope 3 emissions per 100m ² of legally completed build area) | | | tCO ₂ e/100m ² | 219.27 | 211.95 | 256.54 | 222.96 | 222.83 |
| Total gross scope 1, 2 & 3 emissions | | | | | | | | |
| | Market Based | tCO ₂ e | 3,621,612 | 3,513,518 | 3,151,020 | 3,864,593 | 3,888,347 | |
| | Location based | tCO ₂ e | 3,624,574 | 3,516,995 | 3,153,640 | 3,866,342 | 3,889,983 | |

Scope 1, 2 and 3 GHG emissions have been measured in accordance with the operational control method of the GHG Protocol. All scope 1 and 2 GHG emissions arise in the UK. Emission factors come from BEIS 'UK Government Conversion Factors for Company Reporting 2021'.

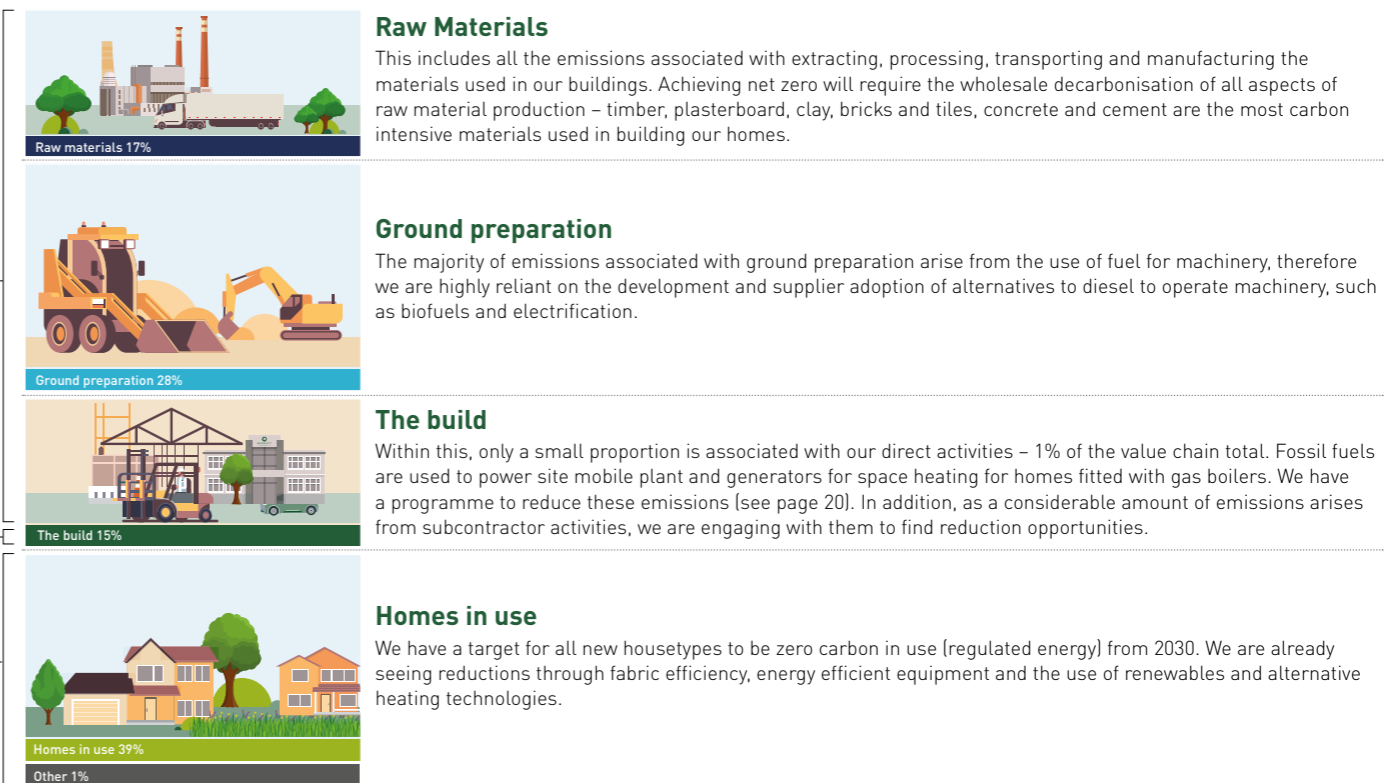
Scope 1 & 2 energy consumption comprises of scope 1 energy consumption of 105,493 MWh* and scope 2 energy consumption of 22,696 MWh*.

Other scope 3 emissions is comprised of category 2: capital goods; category 3: fuel & energy related activities (5,748 tCO₂e)*; category 4: upstream transportation & distribution; category 6: business travel (3,511 tCO₂e)*; category 7: employee commuting; and category 12: end of life treatment of sold products.

Deloitte have provided independent third-party limited assurance in accordance with the International Standard for Assurance Engagements 3000 ('ISAE 3000') and Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410') issued by the International Auditing and Assurance Standards Board ('IAASB') over selected metrics in the table and footnotes above identified with an *, as well as waste intensity and SHE audit compliance on page 5, Reportable Injury Incidence Rate on page 18 and diversion of construction waste from landfill on page 28. For Deloitte's full unqualified assurance opinion, which includes details of the selected metrics assured, our full Carbon Reporting Methodology Statement and a full breakdown of scope 3 GHG emissions, see our website www.barrattddevelopments.co.uk/building-sustainability/our-publications-and-policies/publications.

Our value chain

The above emissions arise across the Group's value chain as follows:

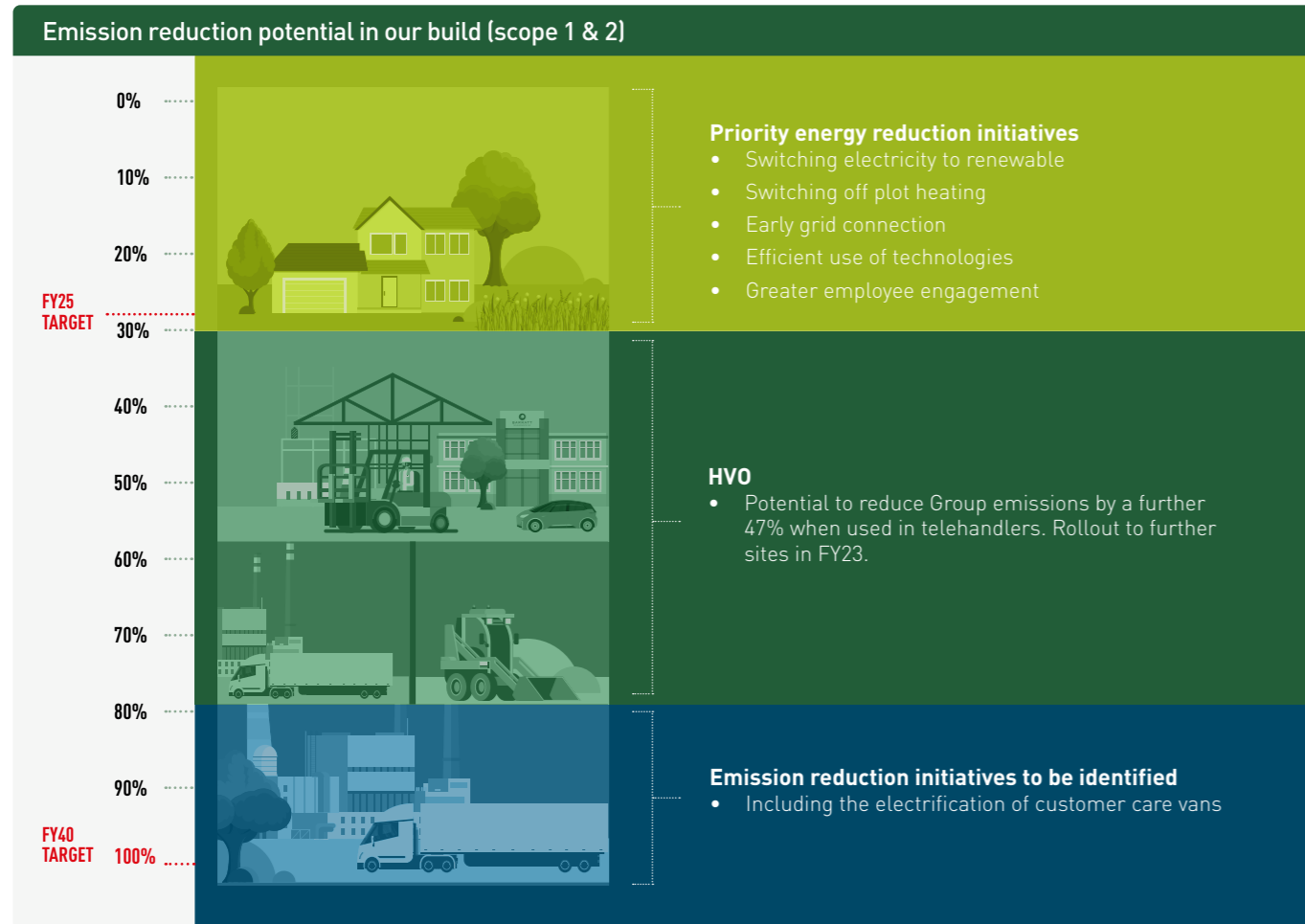


Climate related risks and opportunities CONTINUED

Transition pathway

Reducing the emissions in our direct activities

While only 1% of the Group's total value chain emissions are scope 1 and 2, we are striving to lead the industry by example through our target to meet net zero carbon emissions across our direct operations by 2040. The figure below presents how we will achieve this.



The use of diesel in plant and generators contributes the major share of the direct Barratt footprint. The key actions to reduce this are:

- ensuring all plant on Barratt sites is the most fuel efficient we can obtain;
- reducing the use of diesel generators by securing grid connections as early as possible and ensuring these are on metered renewable supplies;
- driving reductions through applying best practice maximum temperatures of plots and monitoring. We will continue to build plots with gas boilers until this is phased out through the implementation of the Future Homes Standard. Gas is used during the commissioning of boilers, to keep the air temperature at an optimum level for fittings such as flooring and for plastering to dry and for sales visits; and

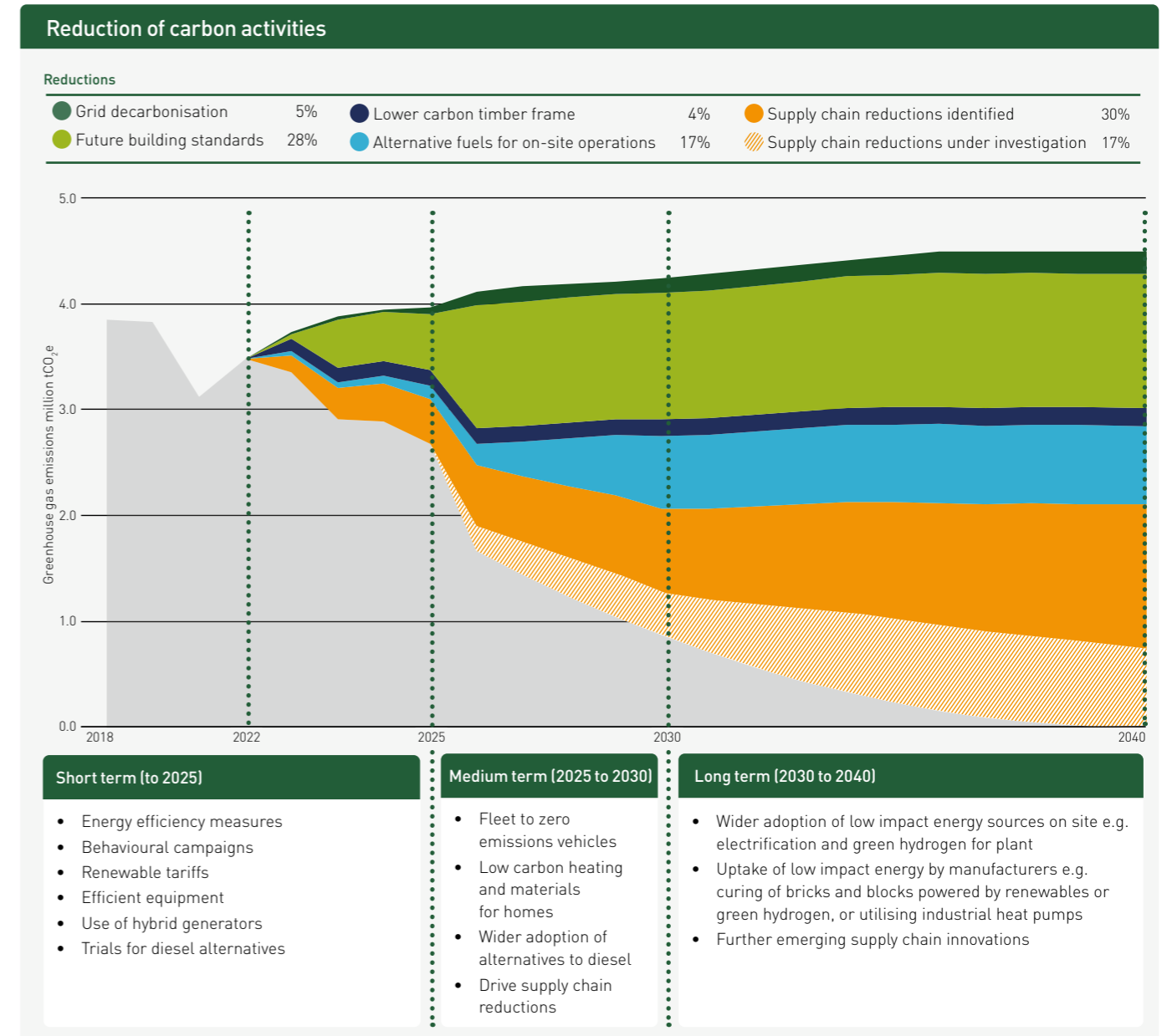
- using hybrid generators that draw energy from an internal storage battery when load is low, where this is difficult or the using alternative fuels such as Hydrotreated Vegetable Oil (HVO) in generators. We are trialling the use of HVO at 39 sites.



Our pathway to reduce emissions across our value chain

The Group also has an ambition to reduce its full value chain emissions to net zero by 2040. Achievement of this will greatly reduce the Group's exposure to its climate-related risks and maximise its potential to take advantage of climate-related opportunities. In particular, reduction of both direct and indirect emissions will reduce our exposure to the carbon pricing increases that would be required to limit global temperature rises to sustainable levels.

The graph below outlines our transition pathway to achieve this.



Achieving full value chain net zero to 2040

Our transition pathway to 2040 covers our full value chain emissions, including downstream and upstream of our operations, as well as from our direct consumption of fossil fuels and electricity.

We estimate that meeting the Future Homes Standard will contribute a 28% reduction in emissions as a result of the stringent energy efficiency requirements. Additionally, we will reduce embodied carbon through wider use of timber frames in the homes we build.

The Group will need to collaborate with its suppliers and sub-contractors to achieve

its net zero ambitions. We are working with our partners to improve the visibility of our downstream emissions.

A key focus for FY23 will be ongoing engagement with, and understanding of, specific supply chain partner emissions. In time we may choose to favour working with partners whose plans most closely resemble our commitments. It will be important, for example, given increased uptake of alternative fuels, and potentially green hydrogen, that by 2040 our groundworker activity is significantly decarbonised.

Finally, we anticipate emissions reductions in our sold products through grid

decarbonisation. This in part relies on wider policy decisions and delivery, such as the UK Government's plan to decarbonise the grid by 2035. We will continue to monitor progress on grid decarbonisation and investigate its impact on supply chain emissions as new data emerges and push for progress.

Both our understanding of the impact climate change and our strategy in response continue to evolve, and as such we will refine our assessment of climate related risk and pursue further initiatives to ensure our resilience and leadership position within the housebuilding sector.

Viability statement

Going Concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the Financial Statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these Financial Statements. (More information on the going concern judgement can be found in note 1 to the Financial Statements.) For this reason, the Directors continue to adopt the going concern basis in the preparation of these Financial Statements.

Viability Statement

In accordance with the Code, the Directors have assessed the prospects and financial viability of the Group over the longer term, considering both its current position and circumstances, and the potential impact

of its principal risks. The Group's business model is presented on pages 12 and 13 and its future prospects are primarily monitored through the risk management processes detailed on page 52.

For the long term viability statement, the Directors consider that a three-year review period is appropriate. This period is aligned to our operating framework of a 3.5 year owned land bank, and the Group's bottom-up three-year planning and forecasting cycle, which considers a wide range of information relating to present and future business conditions, including those impacting on expected profitability, cash flows, and funding requirements.

The Group's business plan reflects the anticipated effect of the current inflationary environment and incorporates the likely market impact of the end of the Help to Buy scheme in 2023. The Group is forecast to remain profitable and in compliance with its financial covenants throughout the forecast period.

The Group continues to be subject to its principal risks, which are detailed on pages 54 to 57. This Viability Statement considers the impact that these risks might have on its ability to meet its targets in current market conditions over the review period.

To assess the Group's resilience to adverse outcomes, its forecast performance over the three-year period 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 external economic forecasts. This assessment included a reasonable worst-case scenario in which the Group's principal risks manifest to a severe but plausible level. The current economic environment presents significant macroeconomic uncertainties, most notably around rising inflation and interest rates and their consequent impacts on UK economic growth, employment, as well as consumer confidence and spending. Therefore, the downside scenario used in the assessment is more stretching than in previous years. The assessed risks, for which the impacts were applied in aggregate, were as follows:

Under the described scenario, the Group is able to operate within its current facilities, meet its liabilities as they fall due, and remain in compliance with its financial covenants in the assessed period. The Group has a policy of maintaining a £150m headroom on its available facilities and would remain in compliance with this policy throughout the viability review period.

Under the scenario, the Group would undertake mitigating actions in response to the challenging circumstances modelled. This would primarily involve a reduction in investment in land and work in progress in line with the fall in expected sales, and would not prevent the Group's ability to grow over the long term.

The Directors have also considered a reverse stress test to determine the market conditions in which the Group would cease to be able to operate under its current facilities within the three-year review period. The Group's base forecast was sensitised to an immediate reduction in average selling prices from 1 September 2022 by a set percentage up to the point at which the Group breached its covenants or headroom policy. No mitigating actions were modelled. It was determined that a reduction in average selling price of 22.4% would result in a breach. The Directors consider that a sustained 22.4% fall in average selling price to be extremely unlikely.

Furthermore, in such challenging economic circumstances, additional options would be available to ensure that the Group would retain the flexibility to react to further risks or opportunities, including:

- i. Suspension of uncommitted land spend;
- ii. Redesign of developments to emphasise cost savings;
- iii. Suspension of discretionary bonus payments;
- iv. Reduction or suspension of dividend payments;
- v. Disposal of interests in joint ventures to partners; and
- vi. Sell land or unsold stock at discounted value.

As these actions could affect the long-term solvency and growth prospects of the Group, they would only be used to meet immediate requirements. Nevertheless, their availability in addition to the actions modelled demonstrates that the Group has further flexibility to respond to challenges should they arise.

Based on this review, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Over the longer term, climate change will present an increasing risk to the Group. In response to this, and in line with the recommendations of the Taskforce for Climate-related Financial Disclosures, the Board has undertaken a review of the climate-related risks and opportunities that may affect the business out to 2040, including the modelling of the Group's resilience under several climate-related scenarios. The results of this review, as well as the action being undertaken to ensure the business is well positioned to thrive in the new physical, socio-economic and regulatory environment, are set out on pages 58 to 71. Under all scenarios, before mitigating action, the business model remains profitable.

Looking forward, the Directors consider that the demand for high-quality new homes will remain strong due to long term undersupply. The Group has maintained a well-capitalised balance sheet and operates a resilient business model focused on quality and customer service. As a result, the Group is well placed to grow towards its new medium term target of 21,500 wholly owned completions per annum. Through this, disciplined land acquisition and the optimisation of performance across build and sales, the Group will continue to target a minimum gross margin of 23% and ROCE of 25%.

The Strategic Report on pages 01 to 73 was approved by the Board and is signed on its behalf by

David Thomas
Chief Executive

6 September 2022

| | Principal risk | Impact modelled | Group resilience to risk impact modelled | Mitigating actions to risk impact modelled |
|--------|--|---|--|--|
| A | Economic environment, including housing demand and mortgage availability | A decline in demand, leading to a 10% reduction in private and affordable average selling prices and a fall in sales volumes of 15% across the viability review period. | Geographic and product diversity allows for flexibility in response to market conditions whilst the diverse land bank allows for selective development of future sites. | In response to lower volumes, a reduction in uncommitted land investment combined with a reduction in the level of production and therefore work in progress as well as a reduction in overhead base. |
| E | Availability of raw materials, sub-contractors and suppliers | A further increase in material and labour costs of between 5% and 9% arising from shortfalls in supply and inflationary pressures. | Key supplier audit programme, centralised procurement and long standing relationships ensure continuity of supply. Good cost control through well monitored build programmes. | Redesign of developments to emphasise cost savings. Central procurement review of supply agreements with significant agreements fixed in advance. |
| C F | Government regulation and planning policy; Legacy properties | A Building Safety Levy of £1,000 per plot for potential additional safety costs that could be imposed by the UK Government. | Strong balance sheet and net cash position along with good cost control through well monitored build programmes. | As an industry-wide cost, any such levy will likely be factored in to future land bids over the medium term. |
| I | Availability of finance and working capital | An increase in the Bank of England base rate, leading to a rise in the Group's borrowing costs of 2.0%. | Policy requiring minimum headroom of £150m and disciplined operating framework with an appropriate capital structure, resulting in a strong balance sheet and net cash position. | Whilst the Group's strong net cash position allows for resilience against rising finance costs, further mitigating actions are available to the Group are set out overleaf. |
| K | Climate change | Early introduction of the remaining requirements of the Future Homes Standard, resulting in increased build costs per plot, and increased carbon pricing costs. | Continuous investment in new technologies and engagement with the wider supply chain, ensuring responsibly sourced materials. | For further details regarding climate change risks, please refer to the TCFD disclosures on pages 58 to 63. For the transition pathway to achieve net zero by 2040 and mitigating exposure to carbon pricing, see page 70. |

Board of Directors and Company Secretary

We have an experienced and committed Board, which is focused on promoting the success and long term sustainable value of the Group.



John Allan
Non-Executive Chairman

(N) (R)

Appointed: John joined the Board as a Non-Executive Director in August 2014 and became Chairman in November 2014.

Skills and qualifications: John has significant board, business and retail experience gained from both the commercial and financial sectors. John was President of the CBI from 2018 to 2020, stepping down to become Vice President until October 2021. He was CEO of Exel PLC and, when it was acquired by Deutsche Post in 2005, he joined the board of Deutsche Post, becoming CFO in 2007 until his retirement in 2009. John was also chair of Dixons Retail plc and, following its merger with Carphone Warehouse, was deputy chair and senior independent director of Dixons Carphone until 2015. He was also previously a non-executive director of Worldpay Group PLC (where he was previously Chair), National Grid plc, the UK Home Office Supervisory Board, 3i plc, PHS Group plc, Connell plc, Royal Mail plc, Wolseley plc and Hamleys plc, and chair of London First.

External appointments: John is currently Chairman of Tesco PLC, Chair of the Council at Imperial College and a senior advisor at PJT Partners.



David Thomas
Chief Executive

(D) (S) (W)

Appointed: David joined the Board as an Executive Director and Group Finance Director in July 2009, and was appointed Chief Executive in July 2015. David was also Chief Financial Officer on an interim basis, after Jessica White stepped down, from July until December 2021, when Mike Scott, the new CFO, joined the Group.

Skills and qualifications: David brings a wealth of leadership and finance experience acquired over several years in senior positions, and is an Associate of the Institute of Chartered Accountants in England and Wales. He was previously Group Finance Director and Deputy Chief Executive of The GAME Group plc, and Group Finance Director at Millennium and Copthorne Hotels plc. He has also held senior financial roles with House of Fraser plc and Forte plc.

External appointments: David is a Non-Executive Director of the HBF, a representative on the Green Jobs Delivery Group, a member of the Net Zero Buildings Council and a Senior Advisor to the Construction Leadership Council. He is also a Trustee of the Barratt Developments PLC Charitable Foundation.



Steven Boyes
Chief Operating Officer and Deputy Chief Executive

(H) (S) (W)

Appointed: Steven joined the Board as an Executive Director in July 2001 and subsequently became Chief Operating Officer in July 2012. He became Deputy Chief Executive in February 2016 and is responsible for the Group's housebuilding operations and the newly acquired land promoter business, Gladman Developments Limited.

Skills and qualifications: Steven has over 40 years' experience in the housebuilding industry, having joined us in 1978 as a junior quantity surveyor and progressing through the business to assume the roles of Technical Director and Managing Director of Barratt York, before being appointed Regional Director for Barratt Northern in 1999. Steven was also previously a Trustee of the UK Green Building Council.

External appointments: Steven holds no external appointments.



Mike Scott
Chief Financial Officer

(D)

Appointed: Mike joined the Board as an Executive Director and Chief Financial Officer in December 2021.

Skills and qualifications: Mike has extensive experience in the housebuilding sector and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mike was previously Chief Financial Officer of Countryside Properties PLC, having joined Countryside as Group Financial Controller in 2014. Prior to joining Countryside, Mike held a number of senior finance roles at J. Sainsbury Plc, including latterly as Head of Investor Relations, and spent 11 years at PwC.

External appointments: Mike holds no external appointments.



Nina Bibby
Non-Executive Director

(A) (N) (R)

Appointed: Nina joined the Board as a Non-Executive Director in December 2012.

Skills and qualifications: Nina brings a wealth of marketing experience to the Board. She was formerly Chief Marketing Officer at O2 (Telefonica UK) until July 2021, and Global Chief Marketing Officer at Barclaycard, the payments subsidiary of Barclays plc, until 2013. Prior to Barclaycard, Nina was Senior Vice President, Global Brand Management at InterContinental Hotels Group plc, and worked at Diageo plc, latterly as Commercial Strategy Director.

External appointments: Nina is currently Senior Vice President of Consumer Segment Marketing at Verizon.

Key:

- (A)** Audit Committee
- (D)** Disclosure Committee
- (N)** Nomination Committee
- (H)** Safety, Health and Environment Committee
- (R)** Remuneration Committee
- (S)** Sustainability Committee
- (W)** Workforce Forum
- (●)** Chair of Committee
- (○)** Co-Chair of Committee



Katie Bickerstaffe
Non-Executive Director

(A) (N) (R) (S)

Appointed: Katie joined the Board as a Non-Executive Director on 1 March 2021 and took over as Chair of the Remuneration Committee with effect from 4 May 2021.

Skills and qualifications: Katie brings to the Board extensive experience of business transformation in a variety of functions, together with considerable digital expertise. She was a Non-Executive Director at Marks and Spencer Group PLC, and previously Executive Chair of SSE Energy Services, where she led its separation from SSE plc and subsequent sale to OVO Group Ltd. She was also a Non-Executive Director of SSE Plc and Chair of its Remuneration Committee until 2018. Prior to this, she worked in a variety of general management roles in retail and manufacturing businesses.

External appointments: Katie was appointed as Co-Chief Executive of Marks and Spencer Group PLC in May 2022 and is a Non-Executive Director of the England and Wales Cricket Board.



Jock Lennox
Senior Independent Director

(A) (N) (R) (S)

Appointed: Jock joined the Board as a Non-Executive Director in July 2016 and became Senior Independent Director on 4 May 2021.

Skills and qualifications: Jock, a Chartered Accountant, brings significant business and finance experience to the Board. He was Chairman of Hill and Smith Holdings plc and Enquest plc, stepping down from both positions in 2019. Jock was previously Senior Independent Director of Oxford Instruments plc and Non-Executive Director and Chairman of the Audit Committees of Dixons Carphone plc and A&J Mucklow Group plc. He spent 30 years with Ernst & Young LLP, holding several leadership positions in the UK and globally, including 20 years as a partner.

External appointments: Jock was appointed Chairman of Johnson Service Group PLC in May 2021 and is Chair of the Audit Committee Chairs' Independent Forum.



Chris Weston
Non-Executive Director

(A) (N) (R) (H)

Appointed: Chris joined the Board as a Non-Executive Director on 1 March 2021 and took over as Chair of the Safety, Health and Environment Committee with effect from 4 May 2021.

Skills and qualifications: Chris brings to the Board considerable commercial experience, driving performance and growth, including as former Chief Executive Officer at Aggreko Limited and as Managing Director, International Downstream at Centrica plc. Chris joined Centrica after a successful career in the telecoms industry working for Cable & Wireless Plc and One.Tel.

External appointments: Chris is a Non-Executive Director on the board of the Royal Navy.



Sharon White
Non-Executive Director

(A) (N) (R) (W)

Appointed: Sharon joined the Board as a Non-Executive Director in January 2018 and became Designated Non-Executive Director for Workforce Engagement on 4 May 2021.

Skills and qualifications: Sharon brings to the Board over 25 years' experience in the public sector, combined with strong employee stakeholder experience, as Chairman of the John Lewis Partnership, the UK's largest employee-owned business. Her previous roles include Chief Executive of Ofcom and Director General, Public Spending and Second Permanent Secretary to HM Treasury. She has also held roles at the British Embassy in Washington, the No 10 Policy Unit, the World Bank and various Government departments including the Department for International Development, the Department of Work and Pensions and the Ministry of Justice.

External appointments: As well as Chairman of the John Lewis Partnership, Sharon is Deputy Chair of Sadlers Wells, a contemporary dance company.



Tina Bains
Company Secretary

(D) (S)

Appointed: Tina was appointed to the role of Company Secretary in January 2016.

Skills and qualifications: Tina joined the Group in 2008 as Assistant Company Secretary, and was promoted to the role of Deputy Company Secretary in 2011. Prior to this, Tina held various Company Secretarial positions within the private and professional services sectors including TMF Corporate Secretarial Services Limited and Ernst & Young LLP. Tina is a Fellow of the Institute of Chartered Secretaries and Administrators.

External appointments: Tina is a Trustee of the Barratt Developments PLC Charitable Foundation.

Executive Committee and Regional Managing Directors

Executive Committee

The Executive Committee consists of:

David Thomas
Chief Executive

Steven Boyes
Chief Operating Officer and
Deputy Chief Executive

Mike Scott
Chief Financial Officer
(from 6 December 2021)

Tina Bains
Company Secretary

Jeremy Hipkiss
Group Customer and Change Director

Nick Worrall
Group HR Director
Biographies for David, Steven, Mike and
Tina can be found on page 74.

The biographies for Jeremy and
Nick are as follows:



Jeremy Hipkiss
Group Customer and
Change Director

Jeremy is responsible for the Group's overall sales, marketing and customer experience strategy and delivery. In addition, Jeremy has executive responsibility for IT, business change and sustainability. He is also a Trustee of the Barratt Developments PLC Charitable Foundation.

Career and experience:
Jeremy joined the Group in 2008 and has wide experience in marketing and retail operations, having held a similar role at the Spirit Group. Prior to that, Jeremy worked for Allied Domecq PLC and Marston's PLC, having graduated in economics from the University of Leeds.



Nick Worrall
Group HR Director

Nick has responsibility for the Group's human resources strategy, including talent, recruitment, remuneration and benefits, diversity and training and development. He is also Co-Chair of the Workforce Forum.

Career and experience:
Nick joined the Group in January 2021 from Countryside Properties PLC, where he was Group HR Director for six years. Before joining Countryside, Nick was HR Director at Brighthouse and British Gas, and UK HR Director at National Grid plc, having begun his career in a variety of different roles at Barclays plc. Nick is also a Chartered Fellow of the CIPD and is a Board member of Real Estate Balance.

Regional Managing Directors

The Group operates through six geographic housebuilding regions, along with a commercial division, Wilson Bowden Developments. The Regional Managing Directors and Managing Director of Wilson Bowden Developments are as follows:



Mike Roberts
Regional Managing
Director – Northern

Mike is responsible for the Group's operations in the Northern Region, which consists of five divisions. He is also responsible for the Group's commercial function.

Career and experience:
Mike joined the Group in June 2004. Formerly Managing Director of Barratt North East, he was appointed to his current role in January 2017.



Doug McLeod
Regional Managing
Director – Scotland

Doug is responsible for the Group's operations in the Scotland Region, which consists of three divisions and our timber frame operations at Oregon.

Career and experience:
Doug joined the Group in January 1974. Formerly Regional Director of Barratt Scotland and Managing Director of Barratt North Scotland, he was appointed to his current role in January 2017.



Richard Brooke
Regional Managing
Director – East

Richard is responsible for the Group's operations in the East Region, which consists of six divisions.

Career and experience:
Richard joined the Group in 2007 following the acquisition of Wilson Bowden plc, where he was Operations Director and previously Finance Director for David Wilson Homes Limited. He was appointed to his current position in July 2008.



David Hesson
Regional Managing
Director – Central

David is responsible for the Group's operations in the Central Region, which consists of five divisions. From July 2022, he has taken over responsibility for Barratt Partnerships from Bernard Rooney and is also responsible for Group Major Projects.

Career and experience:
David joined the Group in March 2020 as Regional Director, and was appointed to his current position in April 2021.



Russell Glimstead
Regional Managing
Director – West (from
1 July 2022)

Russell has assumed responsibility for the Group's West Region, following Bernard Rooney's retirement on 30 June 2022. This region consists of four divisions.

Career and experience:
Russell joined the Group in 2007 following the acquisition of Wilson Bowden plc, where he worked as Commercial Director. Russell held a series of senior appointments in Bristol, South Wales and Exeter before being appointed Managing Director of Barratt Bristol in March 2015 and Regional Director for the West Region in July 2021. He was appointed to his current role of Regional Managing Director for the West Region in July 2022.



Gary Ennis
Regional Managing
Director – London and
Southern

Gary is currently responsible for the Group's operations in the London and Southern Region, which consists of six divisions.

Career and experience:
Gary joined the Group in 1995. Formerly Managing Director of Barratt North London, he was appointed Regional Managing Director of Southern in January 2006 and of London in October 2016.



Nick Richardson
Managing Director
– Wilson Bowden
Developments

Nick is responsible for the Group's commercial business, Wilson Bowden Developments.

Career and experience:
Nick joined Wilson Bowden plc in 1991 and was appointed to his current role in 1999. Nick joined the Group in 2007 following the acquisition of Wilson Bowden plc. Nick is a Chartered Surveyor.

Corporate governance report

Introduction and overview

Governance at a glance

Corporate governance statement of compliance

The Company is subject to the Code, which was issued by the FRC in 2018. The Code can be found on the FRC's website, www.frc.org.uk. The Board confirms that, throughout the year ended 30 June 2022, and as at the date of this report, the Company has applied all of the principles and complied with all relevant provisions set out in the Code, except for Provision 38 (executive director pension contributions) with which, as set out on page 106, the Company will comply by 1 January 2023. This report, together with the reports from the Nomination, Audit, SHE, Sustainability and Remuneration Committees and the other statutory disclosures, provides details of how the Company has applied the principles of the Code (pages 74 to 127). The Company has also complied with the relevant requirements of the FCA's Disclosure and Transparency Rules and the FCA's Listing Rules, BEIS' Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations and the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Highlights

During the year, the Board:

- agreed routes to growth, including new Sheffield and Anglia divisions;
- agreed to sign the Building Safety Pledge on remediation of high rise buildings;
- reviewed capital structure and dividend policy;
- reviewed the actions taken to further improve the customer journey and our brand positioning;
- reviewed diversity and inclusion and agreed to update the detailed action plan;
- approved the acquisition of Gladman and oversaw its integration into the Group; and
- addressed the cost of living increase by bringing forward the annual pay review and agreeing a lump sum additional; payment to colleagues.

Board and Committee attendance

Set out below is the number of scheduled Board and Committee meetings attended by each Director during FY22 while they were a member.

| | Board | Nomination Committee | Audit Committee | SHE Committee | Sustainability Committee | Remuneration Committee |
|---|-------|----------------------|-----------------|---------------|--------------------------|------------------------|
| John Allan – Chairman | 7/7 | 2/3 ¹ | – | – | – | 4/4 |
| David Thomas – Chief Executive | 7/7 | – | – | – | 3/3 | – |
| Steven Boyes – Chief Operating Officer and Deputy Chief Executive | 7/7 | – | – | 2/2 | 3/3 | – |
| Mike Scott ² – Chief Financial Officer | 5/5 | – | – | – | – | – |
| Nina Bibby – Non-Executive Director | 7/7 | 2/3 ³ | 4/4 | – | – | 4/4 |
| Katie Bickerstaffe – Non-Executive Director | 7/7 | 3/3 | 4/4 | – | 3/3 | 4/4 |
| Jock Lennox – Senior Independent Non-Executive Director | 7/7 | 3/3 | 4/4 | – | 3/3 | 4/4 |
| Chris Weston – Non-Executive Director | 7/7 | 2/3 ³ | 4/4 | 2/2 | – | 4/4 |
| Sharon White – Non-Executive Director | 7/7 | 3/3 | 4/4 | – | – | 4/4 |

¹ John Allan did not attend the meeting where his succession was being discussed.

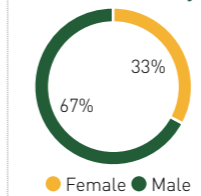
² Mike Scott was appointed on 6 December 2021.

³ Chris Weston did not attend a meeting as he had a prior commitment at Aggreko, where he was Chief Executive Officer at the time. Nina Bibby did not attend a meeting for personal reasons. Each of them provided feedback on the papers to the Chairman prior to the meeting and the Chairman updated each of them afterwards.

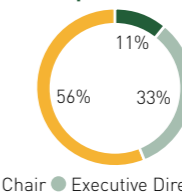
Board composition statistics

The Board and Nomination Committee are mindful of the importance of diversity to the success of the Company and continue to assess this regularly. In particular, the Board is working towards meeting the requirements of the new listing rule regarding gender and ethnic diversity at the Board, in senior leadership positions and also at the Executive Committee, to the extent we do not already do so. Further information can be found in the Nomination Committee report on page 84.

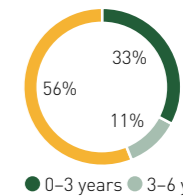
Gender diversity



Independence



Board tenure



Board Skills and experience

All Directors are expected to devote the necessary time to fulfil their responsibilities and duties to the Company, and to do so with the highest standards of integrity. Each Director has demonstrable experience, skills and knowledge with which they enhance Board effectiveness and each complements the skills and experience of other Board members so we achieve an overall balance on the Board. A summary of the Directors' skills is set out below, with further details of the previous experience and particular skills of each Director given on pages 74 and 75.

| Skill | Number of Directors |
|--------------------|---------------------|
| Housebuilding | 4 |
| Property Industry | 5 |
| Retail | 6 |
| Public Policy | 6 |
| Marketing | 4 |
| Governance | 9 |
| Finance/Accounting | 4 |
| Employment/HR | 4 |
| Sustainability | 7 |
| Digital | 4 |

Corporate governance report CONTINUED

Introduction and overview

Implementation of the Code

| Section of the Code | How we have applied the Code | Further information |
|---|---|---|
| Board leadership and company purpose | | |
| The Board: | This section details the main activities and outcomes of the Board in FY22 and how governance contributes to strategy. | See pages 79 to 80 |
| i. is responsible for the long term sustainable success of the Company, determines purpose, values and strategy and models the Group's culture; | The Nomination Committee report describes management of conflicts of interest. | See page 80 |
| ii. ensures the necessary resources are available to the Group; and | The Group's purpose, culture and strategy and the Section 172 Statement and information on stakeholder engagement (including engagement with shareholders and employees) are set out in the Strategic Report. | See pages 2 to 73 |
| iii. engages with stakeholders to inform its decisions. | | |
| Division of responsibilities | | |
| The Chair leads the Board, the Executive Directors manage the business on a day-to-day basis, and the Non-Executive Directors provide constructive challenge and strategic guidance. | This section outlines: <ul style="list-style-type: none"> Board balance, the division of responsibilities and delegations; and Chair and Non-Executive Director independence. | See pages 81 to 82 See page 83 |
| Board policies and processes are in place to ensure that the Board functions effectively and efficiently. | Membership of and attendance at the Board and its Committees is given in Governance at a glance. | See pages 77 |
| Composition, succession and evaluation | | |
| The Board regularly reviews its composition to ensure it remains balanced. | This section details: <ul style="list-style-type: none"> the main activities of the Nomination Committee and their outcomes; the process for Board appointments, succession planning and promotion of diversity and inclusion; and Board and committee evaluation actions and outcomes. | See pages 85 See pages 85 to 87 See pages 88 to 89 |
| Board appointments are subject to a formal, rigorous and transparent procedure, and an effective succession plan is maintained for the Board and Senior Management. | Information on the composition of the Board can be found in Governance at a glance and the Board of Directors. | See pages 75 to 77 |
| The Board undertakes an annual evaluation of its own effectiveness, that of its committees and of individual Directors. | | |
| Audit, risk and internal control | | |
| The Board is mindful of the risk environment in which it operates when making any decisions and has established formal and transparent policies and procedures to ensure independence and effectiveness of internal and external audit functions. | This section summarises: <ul style="list-style-type: none"> the main activities of the Audit Committee and their outcomes; the significant issues the Audit Committee considered regarding the financial statements and how they were addressed; systems for risk management and internal control and the Audit Committee's review of their effectiveness; and the Audit Committee's assessment of the independence and effectiveness of the external audit process and the re-appointment of the external auditor. | See page 91 See pages 92 to 93 See pages 94 to 95 See pages 95 to 96 |
| The Board satisfies itself on the integrity of the financial and narrative statements, and that they present a fair, balanced and understandable assessment of the Group's position and prospects. | The Directors' statement of responsibility for a fair, balanced and understandable Annual Report and Accounts can be found at the end of the Directors' report. | See page 127 |
| It maintains sound risk management and internal control systems and regularly reviews the principal and emerging risks impacting the business. | The Board's assessment of the Group's emerging and principal risks and information on how these are being managed, together with the Viability and Going concern statements, can be found in the Strategic Report. | See pages 54 to 73 |
| The Board assesses the appropriate appetite for risk in striving to achieve the Group's strategic objectives. | | |
| Remuneration | | |
| The Board, through its Remuneration Committee, determines Director and Senior Management remuneration policy and practice in a way that supports the successful delivery of the Group's strategy and promotes its long term sustainable success. | This section sets out: <ul style="list-style-type: none"> information on the Group's remuneration policy; how it was operated during FY22, including performance-based remuneration outcomes, and how independent judgement and discretion was applied; and how the remuneration policy will be applied in FY23. | See pages 109 to 110 See pages 115 to 120 See pages 112 to 115 |
| The Board ensures Executive remuneration is aligned to the Group's purpose and values. | | |

Main activities undertaken during the financial year

The Board follows an annual agenda to ensure that all key matters are allocated adequate time for discussion. The routine duties of the Board are detailed in the schedule of matters reserved to the Board (which can be found on the Company's website at www.barrattdevelopments.co.uk/investors/corporate-governance). A description of the key non-routine activities of the Board during the year and how these contributed to the delivery of strategy are as follows:

Key activities and discussions in FY22

[Link to strategic priorities and principles](#)

Purpose, strategy, values and culture

Continued to monitor the market and the resulting long term risks and opportunities, discussed and agreed future routes to growth, as set out on page 16.



Visited two sites in West Region, meeting with Senior Management and site and sales office employees who provided an overview of the regional, divisional and site operations respectively. This enabled the Board to gain a better understanding of how culture is being embedded in the business.

Arising from its annual review of Group policies, the Board strengthened the sustainability policies, and requested an external review of its Modern Slavery Statement. These policies can be found on the Barratt website at www.barrattdevelopments.co.uk/investors/corporate-governance.

Business performance and resourcing

Approved multiple investments in land. Further information can be found on pages 36 to 37



Monitored the progress of the Sustainability Committee in embedding sustainability in the Group's culture and strategy.

Approved a three-year funding agreement with the Barratt Foundation.

Reviewed the SHE plan of work, enforcement agency interventions, site monitoring, and IIR. Key areas of future focus were agreed and are set out on pages 97.

Discussed Board succession, approved extension of Jock Lennox's appointment for a further three-year period.

Discussed capital structure and dividend policy.

Approved a gradual reduction in dividend cover.

Risk management and internal controls

Reviewed the Company's appetite for risk, identified emerging risks and reassessed the impact and likelihood of principal risks and uncertainties affecting the business.



Continued to work with the CMA on its investigation into the sale of leasehold homes. The CMA closed its case against us in August 2022, as there was no evidence to support the alleged mis-selling of leasehold properties.

Reviewed and agreed the level of assurance to be provided over the Group's financial and non financial information.

Agreed to sign the Building Safety Pledge to address fire-safety issues on buildings 11 metres and above. Further details are given in the Chairman's Statement on pages 8 and 9 and the Chief Executive's Statement on page 18.

Discussed cybersecurity and agreed to use the National Institute of Standards and Technology (NIST) cybersecurity framework.

Stakeholder engagement

Reviewed relationships with stakeholders and their views and focus for engagement going forward.



Further details of engagement with our stakeholders can be found on pages 41 to 51.

Key: Strategic priorities

- Customer first
- Great places
- Leading construction
- Investing in our people

Strategic principles

- Keeping people safe
- Being a trusted partner
- Building strong community relationships

Safeguarding the environment

- Ensuring the financial health of the business

Corporate governance report CONTINUED

Board leadership and company purpose

Culture in the workplace

The Board sets the culture and tone from the top. It is responsible for ensuring that the right culture is embedded throughout the business, including in our dealings with stakeholders. A strong culture that furthers our purpose, and is firmly embedded across the workforce, underpins our success.

Our culture

Do the right thing

Ensure that what we do is in line with our policies and procedures, and looks after the interests of our stakeholders.

Culture in action: We have always believed leaseholders should not have to pay for necessary remediation to fix building safety issues, caused by the design, construction or refurbishment of their buildings. Accordingly, the Board agreed to sign the Building Safety Pledge, and set up a Building Safety Unit, further details of which can be found on page 18. Through these mechanisms, customers will be supported. The Board has agreed a £12m three-year funding agreement with the Barratt Foundation. Further information on how we look after the interests of our stakeholders can be found on pages 39 to 51.

Customer focus

Strive to meet the expectations and needs of our customers, both internal and external.

Culture in action: During FY22, we have reviewed the customer journey with a view to implementing improvements in technology, particularly to enhance sustainability.

Resilience and adaptability

Look for innovative ways to improve efficiencies across the organisation and recognise there is always room for improvement. Be willing to change the way we do things to meet the requirements of stakeholders and those set by legislation or regulation.

Culture in action: Customer demand for houses during FY22 has been high, and we have continued to focus on increasing build levels and scaling up the number of colleagues and sub-contractors on site as COVID-19 safety measures were eased. We continued to rely on our strong supplier relationships to help with the supply of key materials in light of global material shortages.

Pride in what we do

Aim to operate in a way that satisfies the expectations of our stakeholders particularly in terms of quality and service.

Culture in action: We have won multiple awards throughout FY22 for quality and service, including an HBF 5 star rating for the 13th consecutive year, and 98 NHBC Pride in the Job awards. These are detailed on page 28. We are particularly proud to be leading the industry in seeking new and innovative ways to further reduce our carbon footprint and that of our suppliers and customers, for example through the Zed House project detailed on pages 14 and 15.

How the Board measures and assesses culture

During the year, an advisory review was carried out by the internal audit team and presented to the Board to provide it with insight into the culture of the business. The review found that the culture described above remains embedded in the business. It made a number of observations on potential areas for improvement, and on the overall opportunity to improve consistency of culture by better promoting it across the business. The Board has asked management to progress these areas for improvement.

In addition, to enable the Board to identify further actions that may be required to ensure that the culture in our business remains appropriate and embedded, the Board measures and assesses culture using both internal and external KPIs, and as follows:

- **Safety, health and the environment** – there is zero tolerance towards breaches relating to the health and safety of our employees, suppliers, sub-contractors and the general public. The Group is also conscious of the impact that its operations have on the environment. The Board is updated regularly on health, safety and environmental matters, and on any new or ongoing investigations and their outcomes. The SHE Audit compliance KPI, which underpins the quality and service annual bonus performance measure, is set out on page 5, and other environmental and safety targets are detailed on pages 4 and 5.

- **Customer satisfaction** – this is assessed using customer care survey responses and recommendation scores, (KPIs can be found on page 5), which form part of the annual bonus performance measures for Executive Directors, and awards such as the HBF 5 star rating and NHBC Pride in the Job awards (details of which can be found on page 28), all of which are regularly reported to the Board.
- **Employee engagement survey** – a survey is conducted annually to assess how the business is meeting the expectations of its employees. It also contains several culture-related questions, to monitor and assess how well the culture is embedded. The results of the survey are reviewed by the Executive Committee and Senior Management team, with key findings reported to the Board. The outcome of our latest employee engagement survey is detailed on page 33.
- **Employee retention** – our employees are our greatest asset. It is important that we do everything that we can to retain them, and this is one of the pillars of our people strategy. The Board monitors employee leaver numbers and reasons, and the steps being taken to attract, recruit and retain employees.
- **Policies and procedures compliance** – core governance policies are reviewed annually by the Board with employees required to regularly complete a variety of e-learning modules. Completion levels are reported to the Board. Business policies, processes and procedures are reviewed regularly. Our internal audit team conduct regular reviews of compliance with policies, processes and procedures, and test that they remain up to date. The team's findings are reported to the Audit Committee and ultimately to the Board. The internal audit team also provide updates to the Audit Committee on any matters raised via the Group's whistleblowing procedure (see page 94).

Board balance

The composition of the Board, including the names, responsibilities and other details of each of the Board Directors, is set out on pages 74 to 75. The Board believes the current balance of Executive and independent Non-Executive Directors remains appropriate having regard to the size and nature of the business, and ensures that the Board's decision making is not dominated by any single individual or small group. In addition, the combination of the experience, diverse backgrounds, length of service and calibre of the Non-Executive Directors further enhances this balance and the ability to deliver the Group's strategy whilst mitigating against the risk of groupthink. The responsibilities and roles of Board members are clearly defined and set out below.

Board roles and their responsibilities

Chairman John Allan

- Leads the Board in the achievement of its objectives, sets its agenda and chairs its meetings.
- Shapes the culture in the Boardroom.
- Responsible for the effectiveness of the Board and its governance.
- Facilitates the effective contribution of Non-Executive Directors and constructive relations between Executive and Non-Executive Directors.
- Ensures the Board receives accurate, timely and clear information.
- Responsible for the identification and provision of inductions and continued development needs of each Director.
- Ensures effective communication with shareholders and other stakeholders, and participates in corporate relations activities as appropriate.

Chief Executive David Thomas

- Develops the Group's strategy for the enhancement of long term shareholder return taking into account the needs of the Group's stakeholders.
- Leads the implementation of the Group's Strategy approved by the Board.
- Responsible for the day-to-day leadership and management of the operational activities of the Group in accordance with overall strategy and policy as determined by the Board.
- Chairs the Executive Committee through which he carries out his duties.
- Oversees corporate relations with shareholders and other stakeholders.
- Responsible to the Board for sustainability policies and practices of the Group.
- Co-chairs the Workforce Forum.

Chief Operating Officer and Deputy Chief Executive Steven Boyes

- Responsible for the Group's operations.
- Day-to-day responsibility for safety, health and environment issues, promoting the well-being of employees.
- Responsible for our procurement function and our land promoter business
- Responsible for ensuring stakeholder requirements are appropriately addressed.
- Chairs the Operations Committee meetings, the other members of which include the Regional Managing Directors.
- Co-chairs the Workforce Forum.

Chief Financial Officer David Thomas (until 6 December 2021) Mike Scott (from 6 December 2021)

- Devises and implements the Group's financial strategy and policies.
- Responsible for the management of the finance, tax, internal audit, treasury and investor relations functions.
- Supports the Chief Executive with his corporate relations responsibilities with shareholders and other stakeholders.
- Manages the Group's relationship with the external auditor.
- Manages the Group's relationships with its lending banks.
- Chairs the Risk Committee.

Independent Non-Executive Directors Nina Bibby, Katie Bickerstaffe, Jock Lennox Chris Weston and Sharon White

- Provide an appropriate level of scrutiny, and constructively challenge the Executive Directors, holding management to account and ensuring the needs of stakeholders are appropriately considered.
- Using the broad range of their experience and external perspective, provide specialist advice and an independent perspective in developing strategy.
- Monitor the implementation of the Group's strategy within its risk and control framework and ensure the integrity of financial reporting.
- Ensure that recruitment and succession planning is appropriate and mindful of diversity and balance.
- Review and refresh Remuneration Policy in the context of stakeholder interests, and ensure it is implemented appropriately.

Senior Independent Director Jock Lennox

The following are in addition to his role and responsibilities as an Independent Non-Executive Director.

- Available to shareholders, when required, to address any material issues or concerns which the Chairman and/or Chief Executive have failed to resolve.
- Available to shareholders, when required, to listen to their views to gain a balanced understanding of their issues and concerns.
- Evaluates the performance of the Chairman, at least annually, with the Non-Executive Directors, and leads the process for the Chair's succession.
- Acts as a sounding board for the Chairman and, if necessary, an intermediary for the other Directors.

Company Secretary Tina Bains

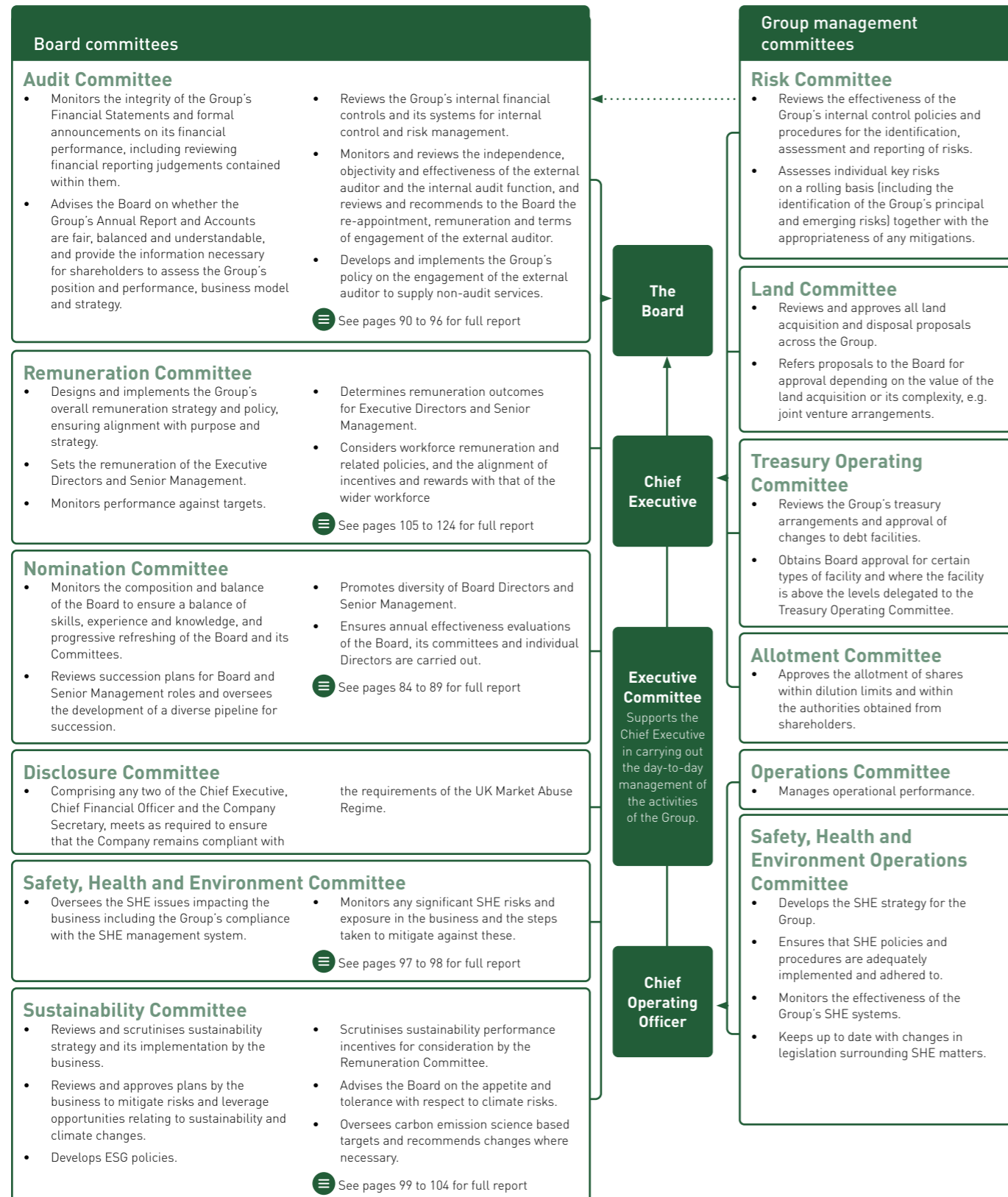
- Supports the Chairman and Chief Executive in fulfilling their duties especially in respect of induction, training and Board and Committee effectiveness evaluations.
- Available to all Directors for advice and support.
- Keeps the Board regularly updated on governance matters and best practice.
- Ensures Group policies and procedures are maintained and updated on a regular basis.
- Attends and maintains a record of the matters discussed and approved at Board and Committee meetings.

Corporate governance report CONTINUED

Division of responsibilities

Decisions, matters reserved to the Board and delegated authorities

The Board makes decisions on strategy and on items set out in the matters reserved for the Board. It also delegates various operational decisions to several Board and management committees (see below). The schedule of matters reserved to the Board and the Terms of Reference of the Board Committees are available on the Company's website at www.barrattdevelopments.co.uk/investors/corporate-governance. The newly formed Sustainability Committee reports to the Board on ESG strategy and associated matters, and is presenting its first report to shareholders on pages 99 to 104.



Board independence

The Company considers all its Non-Executive Directors to have been independent in character and judgement during the financial year, and recognises the importance of them remaining so in order to carry out their respective roles effectively. The Board is aware that Nina Bibby, who reached nine years as a Non-Executive Director with Barratt in December 2021, is no longer considered independent in accordance with the criteria stipulated in the Code. Nina has remained on the Board during the recruitment process for her successor so as to provide stability and balance of skills. The Company considers Nina to be independent as she has no other connections with the Company and has continued to constructively challenge the Executive Directors and hold them accountable since December as she did before. Nina will not be standing for re-election at the forthcoming AGM. None of the other Non-Executive Directors has served on the Board for more than nine years. John Allan was considered to be independent on appointment to the Board and on taking the role of Chairman.

This year's review of Directors' conflicts of interest confirmed that none of the Non-Executive Directors have any business or other relationship with the Group (or other outside interests) that might influence their independence or judgement. None of the Non-Executive Directors, or the Chairman, has been an employee of any Group companies or had a material business relationship with them. None of them has close family ties with any of the Company's advisers, directors or senior employees, or holds cross-directorships or has significant links with other directors. None of them represents a significant shareholder.

The Board meets the Code requirement for at least half the Board (excluding the chair), to be independent (as defined by the Code) non-executive directors. A breakdown of the independence of the Board members is shown on page 77.

The Chairman and each of the Non-Executive Directors have demonstrated their commitment to the business during the year, through their attendance at several unscheduled Board calls convened at short notice to discuss a variety of issues requiring decisions outside the normal scheduled meetings. The Chairman and the Non-Executive Directors meet regularly without the Executive Directors being present, usually prior to or immediately following Committee meetings, and have held nine of these meetings during the financial year.

Internal controls and risk management

The Board monitors and regularly reviews the effectiveness of the Group's risk management and internal control systems, including controls related to the material financial, operational and compliance performance (see the Audit Committee report on pages 90 to 96).

The internal audit team has developed a risk framework for all business functions, which has been approved by the Audit Committee. This framework forms the basis of the internal control audit plan for the year ahead, which tests if key controls are being applied effectively in each operating division. Material issues identified during internal audits and follow-up action plans are reviewed by the Executive Directors and by the Board. Any necessary actions are immediately taken to remedy any significant failings in the internal control system. Further details of the work undertaken by internal audit can be found on pages 94 and 95.

The Group's system of internal control is designed to manage risks that may impede the achievement of the Group's business objectives, and identify and appropriately manage activities where there is a high risk of corruption (including bribery) amongst employees, partners or intermediaries, rather than to eliminate those risks entirely. The system of internal control therefore provides only reasonable, not absolute, assurance against material misstatement or loss. The system of internal control does, however, provide reasonable assurance that potential issues can be identified promptly and appropriate remedial action taken. Further details can be found in the risk management section of the Strategic Report (pages 52 to 73).

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

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

Fair, balanced and understandable

The Board has considered and reflected on whether the Annual Report and Accounts are fair, balanced and understandable. As part of its considerations, the Board has:

- reflected on the feedback shareholders provided on our 2021 Annual Report and Accounts;
- set aside adequate time to review and discuss significant areas of the 2022 Annual Report and Accounts, assessing its tone, balance and language, while being mindful of the requirements of the Code and the need for consistency between the narrative section of the Annual Report and the Financial Statements;
- considered a paper from the Company Secretary explaining the process that had been undertaken to provide assurance to the Audit Committee that the report was 'fair, balanced and understandable'. The process undertaken by the Audit Committee in assisting the Board in their assessment can be found on page 99;
- expanded the remit of the Audit Committee to consider the reporting and assurance of all financial and non-financial information in the Annual Report and Accounts; and
- agreed to develop an Audit and Assurance Policy.

The Board has endorsed the recommendation of the Audit Committee that the FY22 Annual Report and Accounts are fair, balanced and understandable, and its formal statement on this is contained within the Statement of Directors' Responsibilities on page 127.

On behalf of the Board

John Allan
Chairman

6 September 2022

Nomination Committee report

Board composition, succession and evaluation



“The Nomination Committee plays a vital role in ensuring that our Board and Senior Management comprise the right individuals to deliver our strategy.”

John Allan
Chair of the Nomination Committee

Statement from the Chair of the Nomination Committee

I am pleased to present the Nomination Committee report for the financial year ended 30 June 2022. The Nomination Committee is given its authority by the Board, with responsibilities summarised on page 82, and acts in accordance with its Terms of Reference (see page 85). The Nomination Committee plays a vital role in ensuring that our Board and Senior Management comprise the right individuals to deliver our strategy.

Board changes and succession planning

Nina Bibby completed nine years' service on the Board in December 2021. In line with our policy, Nina will not stand for re-election at the forthcoming AGM in October 2022. The Committee has commenced the search for a new Non-Executive Director to succeed Nina. Details of the recruitment process undertaken will be included in the FY23 Nomination Committee report and we will announce the details of the successful candidate once the recruitment process has been completed.

Led by Jock Lennox, the Committee has also commenced the search for a new Chair of the Board to take over from me by the 2023 AGM. We will provide details of the recruitment process followed and announce the details of the successful candidate in due course. In accordance with the Code requirements, Jock chaired the meetings during the Committee's discussion of my succession. I did not attend any meetings whilst my succession was being discussed.

Following the announcement in June 2021, Mike Scott joined the Board on 6 December 2021 as Chief Financial Officer, and information on his induction is provided on page 86.

The Committee undertook detailed work on succession planning at Board, Senior Management and junior levels to ensure we have a sufficiently diverse pipeline.

Skills and experience of the Board

As part of the recruitment process for Nina Bibby's replacement, the Nomination Committee reviewed the composition, skills, experience and diversity of the Board and its Committees. This highlighted the need to identify candidates with skills in land/construction, sustainability and financial experience to support the Chair of the Audit Committee.

Diversity and inclusion

Diversity and inclusion continues to be an important part of the Nomination Committee's agenda. The Nomination Committee has reviewed its Board Diversity policy, which applies to the Board and its committees, to ensure it remains fit for purpose. The Board continues to meet the requirements of the Parker review "Beyond One by '21", in respect of ethnic diversity, and is committed to only work with executive search consultants that have adopted a voluntary code of conduct addressing diversity in its widest sense, including age, sexual orientation, disability and educational, professional and socioeconomic backgrounds, as well as gender and ethnicity. The Board is mindful of the FTSE Women Leaders Review targets and the forthcoming changes to the FCA's Listing Rules, and has considered the composition of the Board and the Executive Committee in this context. The succession planning and Board recruitment already under way take into consideration the aims of the new FCA Listing Rules and the views of our shareholders.

During the year, the Nomination Committee also ensured that the Board considered whether diversity and inclusion across the wider business was being progressed satisfactorily. This review included talent succession and attraction, and the business' credentials as a diverse and inclusive employer. Further information on the Company's progress on diversity and inclusion initiatives can be found on page 87 and in the Strategic Report on page 32.

FY23 priorities

Our key priorities for FY23 are the continued focus on succession planning and on diversity and inclusion at Board level and throughout the business.

The following pages set out further details of the work undertaken by the Nomination Committee during the year.

John Allan

Chair of the Nomination Committee

6 September 2022

Nomination Committee role and activity FY22

Membership and attendance at meetings

The membership of the Nomination Committee and the attendance at each of its scheduled meetings is set out on page 77. The majority of Committee members

are considered independent by the Company and in accordance with the Code. Their biographies and qualifications are shown on pages 74 and 75.

Main activities undertaken during the financial year

The Nomination Committee's responsibilities are set out in its Terms

of Reference, which can be found on the Company's website at www.barrattdevelopments.co.uk/investors/corporate-governance. In addition to its annual tasks, such as the review of its Terms of Reference, effectiveness and approval of this report, the Committee carried out the following work during the year:

| Priorities | Work carried out and outcomes |
|-----------------------------------|--|
| Governance | Reviewed new potential situational and transactional conflicts of interest notified by one of the Non-Executive Directors and two of the Executive Directors, and authorised them on the basis of specific restrictions. Identified the need for the Board to further consider how to improve diversity and inclusion throughout the organisation. Further details are given on page 87. |
| Composition and Succession | Considered succession plans for Non-Executive Directors, the Chairman and CEO, taking into account the need for diversity. Further information can be found on pages 85 and 86. Considered the recruitment specification, and commenced the search for a new Non-Executive Director and a replacement Chair of the Board. Further details are provided below and on page 86. Re-appointed Jock Lennox for a third three-year term, having considered his effectiveness and commitment to the role. |

Directors' conflicts of interest

The Board has authorised the Nomination Committee to oversee the process for reviewing and making recommendations to the Board concerning any actual or potential conflicts of interest that may arise for any Board member, including details of any terms and conditions that it deems necessary to impose on any authorisation given. Throughout FY22, the Company Secretary maintained a register of Directors' conflicts of interest. A summary of this register is reviewed at each Board meeting so that it remains accurate and current. The full register is reviewed annually by the Nomination Committee, and recommendations are made to the Board regarding any changes to the authorisations that may be required. The Board, when authorising any conflict or possible conflict of interest, does not count in the quorum the Director whose conflict or possible conflict is being discussed and reserves the right to exclude a Director from a meeting whilst a conflict or possible conflict is being considered. The Board may revoke or vary any authorisation at any time.

Board changes and succession planning

Succession planning is a live topic at the Board and Nomination Committee meetings, as discussed on page 86. All appointments and succession plans are objective, based on merit and promote diversity.

For Non-Executive Directors, the Nomination Committee annually reviews the length of service, taking into account the cyclical nature of the business as lessons gained through one property cycle can be useful during the next. For Executive Directors, the Nomination Committee and the Chief Executive annually discuss the succession plans for the other Executive Directors and Senior Management below Board level. The aim of this review is to identify suitable individuals who are capable of filling senior managerial or Board positions in the future and to ensure their development needs are identified and addressed. As part of their development, senior managers are invited to attend part of a Board meeting to present on their specialist area. This also enables the Board to assess the quality of internal talent, and the individual to get a greater understanding of the workings of the Board.

Succession plans are in place across the business for the wider workforce and our work on developing our employees is set out in the Strategic Report on page 30. When considering succession

plans, the Board remains cognisant of the need to ensure that there is a diverse range of individuals included in the plan. The business continues to promote diversity and inclusion from within, and further details of the work that has been undertaken in this area can be found on page 87.

During the year, following identification of the skills required to ensure a continued balance of skills on the Board, Russell Reynolds Associates were engaged to assist with the search for a new Non-Executive Director and a new Chair. Russell Reynolds Associates are occasionally requested to assist the Company with searches for senior management positions. They have no other connection with the individual Directors or the Company. Russell Reynolds Associates is accredited by the Enhanced Voluntary Code of Conduct for Executive Firms for its support to FTSE 350 Boards in increasing gender diversity. It is also a Founding Member of the CBI's Change The Race Ratio initiative, supporting greater racial and ethnic diversity in leadership, and a Co-Founder of The 30% Club, an advocate for improved gender balance on boards. Specific guidance has been given to Russell Reynolds Associates that consideration be given to diversity on the Board and the FCA's revisions to the Listing Rules relating to diversity targets. The key focus was to find candidates who had the relevant skills and experience required whilst enhancing the diversity of Board members.

Nomination Committee report CONTINUED

Board composition, succession and evaluation

Board appointment process

| | |
|----------------|---|
| Stage 1 | The Nomination Committee determines the gaps in experience and considers the existing balance of gender, ethnicity and social backgrounds on the Board to help inform a candidate profile. |
| Stage 2 | The Committee reviews and approves an outline brief and role specification, and appoints an external executive search consultancy, to identify suitable candidates from a diverse pool of individuals. The Committee delegated authority to John Allan (for the Non-Executive Director) and Jock Lennox (for the Chair) to select candidates for a shortlist. |
| Stage 3 | The selected candidates meet with the relevant Committee nominees, with the preferred candidates going on to meet the other members of the Committee and the Executive Directors, following which the preferred candidates are selected. |
| Stage 4 | The Committee agrees who should be offered the position based on the range of skills, experience and knowledge that complements those of the existing Board members. The selected candidate's appointment is recommended to the Board, on the same terms as the incumbent Non-Executive Directors. |
| Stage 5 | The Board considers and, if agreed, approves the appointment of the recommended candidate. |

Induction

To ensure that new Directors gain a good understanding of the business and how it operates, an induction programme is prepared. During the year, Mike Scott, received a comprehensive induction pack, which included meetings with each of:

- the other Board members;
- the Company Secretary;
- members of the Executive Committee;
- his direct reports;
- the Regional Managing Directors and teams (at the Regional offices);
- heads of key Group functions;
- key external corporate advisers; and
- the external auditor.

It also included site visits, and details of other opportunities available as part of the induction process. A feedback meeting took place between Mike and the Chairman on completion of the induction programme. The process was seen to be comprehensive and well structured.

Re-appointment and re-election of Directors

Non-Executive Directors are appointed by the Board for up to three three-year terms subject to annual shareholder re-election and a particularly rigorous review prior to a third term being agreed. Non-Executive Directors will normally step down from their position on the Board and its Committees at the AGM following their ninth anniversary. The length of tenure of Board members is shown on page 77. Nina Bibby has now completed nine years of service and will not stand for re-election at the forthcoming AGM. The Board considers that Nina has continued to be independent throughout the year, holding management to account and constructively challenging the Executive Directors. Each of the Directors has been subject to a formal performance evaluation process during the year, as set out on page 89. The Nomination Committee and the Board are satisfied that each Director continues to be effective in, and demonstrates commitment to, their respective roles. All Directors, besides Nina, will be standing for election or re-election at the forthcoming AGM. Biographical details of each of the Directors are set out on pages 74 and 75 of this report, along

with reasons why their contribution is, and continues to be, valuable to the Company's long-term sustainable success, and can also be found in the Notice of the 2022 AGM.

Diversity and Inclusion Board Diversity

Board composition statistics are provided on page 77.

During the year, the Nomination Committee, and subsequently the Board, reviewed the Board's policy on diversity and inclusion. The objective of the policy is to ensure that diversity is reflected within the composition of the Board and throughout the business in its broadest sense, including gender, ethnicity, age, sexuality, social class, education experience and ways of thinking. The policy aims for continuous improvement at Board and Senior Management level on all these elements of diversity and to identify the most suitable candidate to join the Board having regard to the individual's skills, experience and knowledge. It also seeks to ensure that, in managing any senior appointment and in succession planning more broadly, the Nomination Committee has regard to the recommendations of the Parker and the McGregor-Smith reviews

on ethnicity and race and the benefits of diversity, including gender, ethnicity, social background and cognitive and personal strengths. A copy of our Board Diversity Policy can be found at: www.barrattdevelopments.co.uk/sustainability/our-policies.

Diversity and inclusion throughout the business

The gender balance of the Executive Committee and their direct reports is shown on page 77.

The Nomination Committee and the Board recognise the importance of a diverse workforce, at all levels of seniority. Promoting diversity at Senior Management level, and more generally across the workforce, remains an objective for the Chief Executive and Group HR Director. The Group's aim is for its employee profile to mirror that of the communities in which it operates. Further information on the Group's progress on diversity and inclusion can be found on pages 32 and 33. The main objectives, how they are implemented and progress towards them are set out below.



Mike Scott
Chief Financial Officer

Q&A

Mike joined the Company in December 2021 from Countryside Properties, where he was previously Chief Financial Officer. We asked Mike about his experience of joining Barratt.

Q What were your first impressions of the business when you were approached?

A My first impressions were very positive. Barratt has a strong reputation in the industry for the quality of homes it builds and places it creates. Its record in winning so many Pride in the Job awards shows the commitment of site teams to delivering the highest standards of construction, safety on site and customer satisfaction. Barratt is also a clear thought leader on sustainability in housebuilding and is helping to drive the industry forward, so I already had a strong sense of the business when I was approached.

Q What made you decide to join the business?

A There were so many reasons! The business is in great financial shape, with a strong balance sheet and clear, deliverable growth plans. From a people perspective, as I anonymously visited sites whilst going through the interview process, everyone I met was very welcoming and seemed really engaged. And finally, I felt like I was joining a strong leadership team with

a clear vision to lead the industry and continue to deliver excellent product for our customers.

Q What skills and experience do you bring to the role?

A The various roles I've had since I left practice have each taught me something different that I can bring to the role at Barratt, including my understanding of the housebuilding sector. I'll be using my experience to ensure our finance function continues to bring actionable insight to the business whilst maintaining our strong level of financial control. I also have a strong belief in developing our people, so that they can better serve our customers, and become leaders of the future, which is certainly shared at Barratt.

Q How did you find the induction process?

A It was well structured and allowed me to get around the business to meet our senior leaders and also spend time on sites around the country. Having the acquisition of Gladman and our half-year results in my first few weeks also helped me to quickly integrate myself into the team.

| Objectives | Implementation | Progress |
|---|--|--|
| Hold leaders accountable for diversity and inclusion goals. | Data tracking and distribution. | Diversity data down to divisional level is produced and distributed monthly to enable progress to be tracked. Education and development continues to take place at Board level. We continue to cascade and promote the diversity and inclusion message throughout the organisation. Analysis of employee engagement results between different groupings helps to identify issues specific to them. |
| Improve the representation of all groups across the business by ensuring our talent programmes look to create diversity in attraction, retention and promotion. | Catalyst programme – our female leadership development programme. Rising Stars programme – open to all employees and aimed at supporting development for those with potential and a desire to progress. The Operations Director programme, preparing our future leaders. Participation in the first Race Equity programme and the 30% Club. Development of an Ethnic Minority Communities (EMC) support programme. | The self-nomination process for Catalyst and Rising Stars programmes is continuing. The fourth Catalyst programme launch is being planned for September 2022 for over 60 delegates. Female representation on the Rising Stars programme is 50%, EMC representation is 9%, with delegates selected from all areas and levels of the business, including apprentices. The Operations Director programme includes a full day workshop on inclusive leadership. Female representation on the 2022 programme has tripled since 2021 and is more than double the proportion of our current female leadership. We are participating in the inaugural Race Equity programme run by The 30% Club which commenced in May 2022. The programme pairs high potential ethnically diverse talent with CEO mentors across participating organisations, and offers an ongoing series of listening sessions on key topics for Diversity and Inclusion professionals in the participating organisations. The EMC programme is in development, providing our people with the chance to network with each other, receive external support in navigating their careers and provide feedback on internal barriers so they can be addressed. |
| Hear the employee voice directly to ensure we are providing an inclusive environment. | Employee network groups. Reciprocal mentoring. Workforce Forum | Our gender equality, LGBT+ and parent 'Connect' groups provide support for employees, run networking and education events and work with the HR team to feed back our colleagues' experiences. This year we have extended the 'Connect' groups, establishing an EMC network and a disability network. Every Catalyst programme participant has a leadership mentor with whom they share experiences. Please refer to page 42 for more information on the Workforce Forum. |
| Create strong relationships with our diverse customer base. | | We have continued to review our marketing and recruitment material to ensure it is fully reflective of our diverse customer base, including imagery in our show houses. |

Nomination Committee report CONTINUED

Board composition, succession and evaluation

Board and Committee evaluation

Each year, the Board undertakes a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. Every three years, the Board undertakes an externally facilitated evaluation. The last one was carried out in 2019, so this year, Christopher Saul Associates were appointed to undertake the evaluation. Christopher Saul Associates has no other connection with the individual Directors or the Company. The next external evaluation will be carried out for FY25.

Progress on FY21 evaluation

Progress made against the outcomes of the internal Board evaluation undertaken in FY21 is set out below:

| The Board | | | |
|------------------------------|--|---|--|
| | Culture | Sustainability | Risk |
| FY21 outcomes | Obtain greater oversight of the business' culture. | Build on last year's progress and further develop strategy and understanding in this area. | Further enhance risk management. |
| Progress made in FY22 | The internal audit team undertook an advisory review of culture. The outcomes were shared with the Board who have asked management to implement the areas of improvement identified. | Board members were invited to attend guest speaker sections of Sustainability Committee meetings in order to extend their understanding of Sustainability and associated matters. The Board also considered insights received from the Institute for Human Rights and Business to help inform a Human Rights Policy, along with the Building Sustainably framework and business strategy and carbon reduction strategy. | A review of the risk management process was undertaken, led by the Chief Financial Officer. With assistance from PwC, a number of risk workshops were run across the Group. This resulted in a change to the composition of the Risk Committee and refinement of the principal risk definitions. |

| Key areas of improvement for the Committees | | | |
|---|--|---|---|
| | Nomination Committee | Audit Committee | Remuneration Committee |
| FY21 outcomes | Succession planning, particularly for Executive Directors, and supplementing skills and knowledge on the Board. | Enhance knowledge of developing regulatory and reporting areas. Further work on the internal control environment. | Continue to enhance Committee members' knowledge of matters such as developments in remuneration practice, changing reward models, and investor sentiment. |
| Progress made in FY22 | The Committee had a private meeting to discuss succession planning for the Chief Executive, the Chief Operating Officer and the RMDs in January 2022, followed by a further meeting in August 2022. More detailed succession planning was discussed and steps agreed on how to further strengthen succession at senior management level. | Additional training has been undertaken by Audit Committee members around upcoming governance and reporting changes, including TCFD. Risk assurance now mapped against both principal risks and non-financial published information, as a basis for the emerging Audit and Assurance Policy. Fraud risk assessment also completed. | Training was provided for Committee members with PwC covering developments in remuneration practice, investor sentiment, executive retention and ESG targets. |

FY22 Board effectiveness evaluation outcomes

| Board and Committee external evaluation process for FY22 | |
|--|--|
| Stage 1 | Christopher Saul Associates attended a hybrid Board meeting. |
| Stage 2 | One-to-one interviews took place between Christopher Saul associates and each Board and Committee member, and also the regular attendees of Board and the relevant Committee meetings. |
| Stage 3 | Christopher Saul Associates attended a physical meeting of each of the Board and Remuneration, Nomination and Audit Committees. |
| Stage 4 | A report on the outcomes was prepared by Christopher Saul Associates and presented to the Chairman, the Chair of each Committee as appropriate, and the Company Secretary. |
| Stage 5 | The content of the report was presented at the next Board and appropriate Committee meeting for discussion, and actions were discussed and agreed. |

Overall, the results of the evaluation were positive and showed that the Board continues to be run effectively. It is seen as being cohesive and comprising the appropriate balance of experience, skills and knowledge to implement the Group's strategy over the short term. Board meetings operate in a spirit of openness, fostered by the Chairman, in which Directors are able to challenge and discuss openly ideas of importance to the Group, its strategy and risk.

| Key areas of improvement for the Board | | | |
|--|---|--|--|
| | Strategy | Diversity and inclusion | Board papers |
| FY22 outcomes | To hold a strategy day for directors. | To further embed Diversity and Inclusion throughout the organisation. | To further shorten and standardise papers for Board and Committee meetings. |
| Actions for FY23 | To agree the format of a strategy day, location, agenda and timing and to hold annually thereafter. | To help the new Head of Diversity and Inclusion with developing an action plan to achieve this and its implementation across the business. | Company Secretary, with support from the Chief Executive and the Chairman, to work with paper authors on how to streamline content to make papers shorter whilst maintaining the key messages. |

| The Committees | | | |
|-------------------------|---|--|--|
| | Nomination Committee | Audit Committee | Remuneration Committee |
| FY22 outcomes | Succession for all directors, but in particular the Executive Directors, and members of Senior Management remains a key priority. | Consider increasing the number of Audit Committee meetings held during the year. Consider increasing the number of private meetings with the Chief Financial Officer (who is relatively new to the business and whose agenda is evolving), and with the Head of Internal Audit due to the increased level work being undertaken around internal controls and assurance in readiness for the implementation of the audit reform recommendations. | Consider if there are any ways in which the Committee could change their overall approach to remuneration to better support the long term sustainability of the business. |
| Actions for FY23 | Review the agenda for the Committee and seek to allocate more time to succession planning. | Keep under review the time allocated to agenda items to ensure that the Committee has adequate time to consider and discuss each appropriately. Increase the number of private meetings with each of the Chief Financial Officer and the Head of Internal Audit to two per financial year. | Allocate an appropriate length of time at a meeting for the Committee to consider its approach to remuneration and whether any changes are required. This discussion to be facilitated by PwC, our remuneration consultants. |

Evaluation of individual Directors

The evaluation of the effectiveness of the Chairman was conducted by the Senior Independent Director with assistance from the Company Secretary. There continues to be positive support for the Chairman. He is seen as being supportive but challenging, and manages meetings with professionalism, ensuring each Director has the opportunity to express their view. Despite his other commitments, he is always available and flexible, maintaining a high level of engagement with the Company at all times. The Chairman held one-to-one meetings with each Director to assess the effectiveness of their contributions, the appropriateness of their experience and the effectiveness with which they utilised that experience in furthering the Company's strategy. Any areas of improvement or training and development were agreed, based on the outcomes of the questionnaires each Director had completed on themselves. There were no issues of any substance arising from this review.

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

John Allan
Chair of the Nomination Committee

6 September 2022

Audit Committee report

Audit, risk and internal control



“The Committee has reviewed and challenged the outputs of the comprehensive and robust financial analysis of the impact of climate change on the business model, both within the formal Committee meetings and in separate sessions with management.”

Jock Lennox
Chair of the Audit Committee

Statement from the Chair of the Audit Committee

I am pleased to present the Audit Committee’s report for the year ended 30 June 2022. This sets out our work and how our responsibilities in relation to audit, risk and internal control have been implemented. In performing our duties, we have complied with the requirements of the Code and followed FRC best practice guidance. We work closely with our finance and internal audit teams, and with Deloitte LLP, our external auditor, which helps us to ensure that our internal control processes remain robust, our financial reporting remains clear, and our critical accounting judgements and key sources of estimation uncertainty are appropriate.

I would like to take this opportunity to thank our Group Financial Controller, Jonathan Rumble, who supported me and David Thomas during the period in which David held the roles of both Chief Executive and Chief Financial Officer. I would also like to welcome Mike Scott following his appointment as Chief Financial Officer.

Areas of focus FY22

In last year’s report, I set out our priorities for this year and I am pleased to update these as follows:

TCFD reporting and compliance

We have continued to monitor the Group’s progress in reaching full compliance with TCFD requirements, providing guidance where necessary. During the year, management, guided by the Sustainability Committee, have completed a comprehensive and robust financial analysis of the impact of climate change on the business model. This was in relation to both the physical effects of a warming world and the transition to a low carbon society. This scenario analysis was completed over three time horizons and four climate pathways. The Committee has reviewed and challenged the outputs, both within the formal Committee meetings and in separate sessions with management. The outputs have helped the Sustainability Committee and management review, refine and adapt its climate strategies as necessary. The Committee has also reviewed the TCFD disclosures, which forms part of the wider risk management disclosures and is included on pages 58 to 71. This is the first time we have reported under the TCFD recommendations. As climate science develops and we refine our risk assessment methodology, our analysis will evolve and inform the Group’s strategy accordingly. Deloitte LLP have been appointed to provide limited assurance over our year end TCFD disclosures and have confirmed our compliance. Deloitte LLP have also completed a gap analysis of our climate scenario modelling.

Legacy Properties

During the year, the Group signed the Building Safety Pledge, details of which can be found on page 18. This significantly broadened the scope of the Group’s liabilities to cover all buildings of 11 metres and above which had been developed by the Group over the last 30 years. The Group has therefore expanded its provision to reflect this commitment. Calculating the cost was complex, requiring judgements with respect to the individual remediation requirements of each building. The Committee has monitored the estimation and accounting of the incremental costs resulting from this, and at the year-end has reviewed the recognition and presentation in the Financial Statements, including the key assumptions and sensitivity analysis. In addition, the Committee was updated on the impact of RPDT on the business and the Financial Statements.

Risk management and assurance mapping

During the year, the Committee has supported the Chief Financial Officer, Mike Scott, in the review and evolution of the Group’s risk management strategy,

including a reassessment of the Group’s principal risks, details of which can be found on pages 52 to 57. I was pleased to attend the Group Finance Leadership Conference this year to update the divisional finance directors on relevant internal control and risk management matters.

We have monitored the roll out of the Group’s Risk & Internal Control framework (BRICK), as well as further projects to improve the internal control environment and business continuity planning.

Audit and Assurance Policy creation

The Committee broadly supports the Government’s response to the BEIS consultation on Restoring Trust in Audit and Corporate Governance, and has begun the process of developing an Audit and Assurance Policy. In anticipation of this, we have reviewed the progress made by the internal audit team’s risk assurance mapping, setting out the assurance provided by each of the three lines of defence on the operation of our internal controls to mitigate our principal risks, and the output from the completion of a detailed fraud risk assessment. Management has strengthened the Viability Statement and begun to formally document key internal controls over financial reporting. The Committee will continue to monitor these developments.

Key areas of focus for FY23

The potential impact of the provisions of the draft Audit Reform Bill on the Company and its external auditor will remain a priority for the Committee throughout FY23. We will look to comment on detailed proposals as they are issued, especially where we disagree, such as the idea for a managed shared audit.

We will continue to monitor the ongoing work to document key internal controls over financial reporting and plan to formally adopt and publish our Audit and Assurance Policy during FY23. We will also continue to review the rigour of management’s TCFD analysis and all other non-financial disclosures, including the internal and external assurance thereof.

Oversight of the utilisation of the provisions for legacy properties will be a feature. In particular, gaining comfort that assumptions are applied consistently as detailed costs emerge and that any unutilised provisions remain appropriate.

Jock Lennox
Chair of the Audit Committee

6 September 2022

Role and activity FY22 Membership and attendance at meetings

Details of the members and attendance at each of the Committee’s scheduled meetings is shown on page 77, and the biographies and qualifications of the members are shown on pages 74 and 75. In compliance with the Code, the Committee is comprised exclusively of Non-Executive Directors, and each member is considered to be independent by the Company. The Chairman of the Board is not a member of the Audit Committee. The Board is satisfied that Jock Lennox has recent and relevant financial experience to Chair the Committee. Jock is a Chartered Accountant who has previously chaired several other listed companies’ audit committees. He is also the Chair of the Audit Committee Chairs’ Independent Forum. As part of the effectiveness review, details of which can be found on page 89, the Nomination Committee was satisfied that the Audit

Committee has competence relevant to the sector in which the Group operates.

In addition to the Company Secretary, the Head of Internal Audit, Group Financial Controller, Chairman of the Board, Chief Executive, Chief Operating Officer, Chief Financial Officer and representatives from our external auditor attended each of the Committee meetings. Other executives attended when appropriate for specific agenda items.

After each meeting, the Chair of the Committee reported to the Board on the business undertaken by the Committee and made recommendations to the Board as appropriate. The Committee and the Chairman of the Board met the Chief Financial Officer, the Head of Internal Audit and the external auditor separately and independently of management. In addition, the Chair of the Committee separately meets with the external auditor and key management and senior financial managers outside formal meetings.

Main role and activities undertaken during the financial year

The main role of the Committee is to assist the Board in fulfilling its governance obligations relating to the Group’s financial and non-financial reporting practices and its internal control and risk management framework. It follows an annual work programme to ensure that its roles and responsibilities are completed throughout the year. In agreeing the annual programme, the Committee considers the external environment, internal operation of the business and regulatory changes to ensure that all the main priorities are included.

The Committee’s responsibilities are set out in its Terms of Reference, which can be found on the Company’s website at www.barrattdevelopments.co.uk/investors/corporate-governance. In addition to the tasks it carries out annually, the Committee carried out the following work during the year:

| Priorities | Work carried out and outcomes |
|--|--|
| Integrity of Financial Statements and announcements | <p>Considered the accounting and presentation of the acquisition of Gladman Developments Limited, and concluded that the transaction was appropriately disclosed.</p> <p>Reviewed the level of assurance over the Group’s non-financial published information, including TCFD and climate related information.</p> <p>Considered the costs associated with legacy properties and their presentation in the financial statements, concluding that they are appropriately disclosed.</p> <p>Reviewed new guidance and regulatory requirements in respect of corporate reporting, climate change and ESG reporting, and in particular the Group’s TCFD disclosures.</p> <p>Considered proposals, tenders and the interview process leading to the ultimate appointment of Deloitte LLP in respect of external assurance of certain ESG information and the FY22 TCFD disclosures.</p> <p>As part of its review of the Financial Statements, considered the use of APMs and whether on pages 195 to 197 they are appropriately explained.</p> <p>Considered the Group’s material non-financial information and external assurance of it.</p> |
| Internal control and risk management systems | <p>Considered proposals for a new Risk Management Framework to strengthen the Risk Committee and the concurrent roll out of BRICK.</p> <p>Considered tactical control enhancement projects associated with strengthening the Balance Sheet and Valuation review process.</p> <p>Continued to review the implementation of the new site valuation module of the COINS system, which has been deployed across all divisions and on the majority of sites.</p> <p>Reviewed the efficacy of the response to an attempted ransomware attack and the lessons arising from it.</p> |
| Internal audit | <p>Appointed the IIA to undertake an external quality assessment of the internal audit function. Further details of the outcomes are provided on page 95.</p> <p>Reviewed and approved updates to the Internal Audit Charter to take into account not only the internal audit effectiveness review, but also the requirements of the IIA Code of Practice and International Standards.</p> <p>Reviewed and approved the output from an exercise to map the assurance provided by each of the three lines of defence over the effective management of the Group’s principal risks.</p> <p>Discussed and agreed the steps required to produce an Audit and Assurance Policy setting out the mechanisms in place to provide assurance to the Board, and reviewed the scope of this policy.</p> <p>Reviewed the output of a groupwide fraud risk assessment and agreed the format of the annual fraud risk report which will be used to identify areas for further review.</p> |
| External audit | <p>Reviewed the outcome of the Group’s external audit quality indicator assessment.</p> <p>Led the process to appoint new Deloitte lead audit partner.</p> |
| Governance | <p>Updated the Committee’s Terms of Reference to expand its remit to include responsibility for the review and consideration of non-financial information and reporting, and the assurance around this.</p> <p>Assisted with the induction of Mike Scott as the new Chief Financial Officer, helping ensure a smooth transition.</p> <p>Reviewed the Future of Finance strategy presented by the Chief Financial Officer, including the people strategy, plans for the development of data insight whilst improving the control environment, underpinned by further use of technology.</p> |

Audit Committee report CONTINUED

Audit, risk and internal control

FY22 Financial Statements

Significant issues considered during the financial year

The issues considered by the Committee to be the most significant (due to their potential impact on the performance of the Group's activities) in relation to the Financial Statements during the financial year are set out below.

1. Critical accounting judgements and key sources of estimation uncertainty

These are set out in the table below and on the following page.

2. Going concern

The Committee:

- using the Group's business plan, assessed the Group's available

facilities, headroom and banking covenants;

- reviewed management's detailed analysis, which included forecasts, scenarios and sensitivities;
- concurred with management's conclusion, and recommended to the Board, that the Company and the Group continue to be a going concern and the Financial Statements should be prepared on a going concern basis;
- considered the going concern requirements of the Code to ensure compliance; and
- continued to monitor market conditions to ensure any appropriate adjustments are reflected.

The Committee also reviewed management's viability assessment of the Group and agreed that it was appropriate.

Further details on the Group's going concern and viability assessments can be found in note 1 on pages 142 and 143, and the Group's Going Concern and Viability statements can be found on pages 71 and 72.

3. Financial reporting

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

Significant issues considered by the Committee relating to the Financial Statements for FY22 comprise:

| Issue | External auditor challenge | Management response | Audit Committee comments |
|--|---|---|---|
| Margin recognition Development costs are allocated, on a site by site basis, between homes built in the current and future years. The Group's site valuation process determines the profit margin for each site. This requires the estimation of future sales prices and costs to complete. Further detail is given in note 3 on page 145. | The external auditor attended valuation meetings, performed Group-level analytical reviews, and undertook other audit procedures to challenge the margin recognised for the year. | The Committee considered: <ul style="list-style-type: none"> • feedback from Senior Management regarding their attendance at valuation meetings and their assurances on the efficiency and consistency of the approach on valuation throughout the business; • management's assumptions and estimates in the assessment of margin recognition based on site performance, in particular, sales prices and build cost, given the higher inflationary environment; • enhancements made to the valuation internal control process; • the results of the Group's internal audit reviews across the business. | Based on this, the Committee was comfortable with the process and controls adopted by management around the estimation of future income and costs to complete, and thus the process by which the Group's inventory is valued and the margin recognised. |
| Costs associated with legacy properties Estimations of cost provisions relating to remedial work associated with the Building Safety Pledge, EWS and concrete frames on legacy buildings have been provided for. Government guidance and industry regulation continue to evolve, requiring the Group to adjust its response and ensure that its resultant obligations are accounted for appropriately. Further detail is given in note 21 on pages 168 to 170. | The external auditor challenged the basis for the scope of buildings, estimated costs, assumptions relating to cost inflation, estimated timing of spend and discount rate. | The Committee reviewed, challenged and agreed the basis on which the costs associated with legacy properties have been included within the Financial Statements. This included Management's assessment of the scope of buildings covered by the Building Safety Pledge and the assumptions applied to determine remediation costs. The Committee also considered and agreed the appropriateness of presenting these costs as an adjusted item in the income statement, assisted by feedback from the external auditor. The Committee will review the provision in FY23, to assess its utilisation and continued adequacy. | Based on this, the Committee was comfortable with the process and controls adopted by management around the disclosures and estimation of costs and provisions associated with legacy properties. |

| Issue | External auditor challenge | Management response | Audit Committee comments |
|--|--|---|--|
| Completed developments After all homes on our developments have been legally completed, the Group holds a liability to cover further costs that are required to complete the development. This requires an assessment of the cost to complete. | The external auditor challenged costs charged to the provision during the year and the extent to which they represented under-provision in previous years or changes in estimates. | Liabilities for completed developments are raised and regularly reviewed as part of the Group's valuation process. The measures undertaken by the Committee to evaluate valuations performed in the year are detailed in the response to margin recognition above. In addition, the Committee reviewed the quantum of the liabilities, held for completed developments. This included the average cost to complete per development, the categorisation of the cost to complete and the ageing of our completed development liabilities. The Committee also considered the work performed by the external auditor. Following consideration of the uncertain nature and timing of these costs, management re-presented the accrual as a provision. | The Committee agreed with management's recommendation that the liabilities held in respect of completed developments be re-classified as provisions. |
| Acquisition of Gladman Developments Limited The Group acquired the land promoter, Gladman Developments Limited, during the year, for £250m. As required under IFRS 3, management reviewed and aligned accounting policies, completed a purchase price allocation and goodwill assessment, and ensured appropriate disclosure of the transaction within the Financial Statements. | The external auditor challenged the fair value of assets acquired, the allocation and valuation of intangible assets and the appropriateness of the acquisition disclosures. | Prior to the acquisition, the Committee was kept informed as to how the target was being valued, and provided appropriate challenge over the key sensitivities affecting value, such as future planning prospects. Post acquisition, the Committee reviewed the accounting policy alignment, purchase price allocation and goodwill assessment, including the identified intangible assets and the key assumptions that fed in to the valuation of the intangible assets. The Committee reviewed and challenged management on the key assumptions used in the assessment. In addition, the Committee reviewed the appropriateness of the disclosure of the acquisition within the Financial Statements. | Based on the above, the Committee was comfortable with the process adopted by management around the valuation and disclosure of the transaction. |

Fair, balanced and understandable considerations and conclusions

The Committee received a draft of the Annual Report and Accounts prior to its August 2022 meeting, together with supporting material from management and the external auditor. At the meeting, it considered and assessed the process undertaken in drafting the 2022 Annual Report and Accounts to determine whether it was fair, balanced and understandable.

Considerations

- Feedback provided by shareholders on the FY21 Annual Report and Accounts.
- Assurances provided in respect of the financial and non-financial management information.
- The balance between statutory and adjusted performance measures.
- The internal processes underpinning the Group's reporting governance framework and the reviews and findings of the Group's external legal advisers and external auditor.

- A report from the Company Secretary, which confirmed that: i) the process involved collaboration between various parts of the Group, including the Group Finance team, Company Secretariat, Group Communications, Investor Relations and the Sustainability team; ii) the Annual Report and Accounts had been reviewed by the Executive Directors; and iii) the Company had received confirmation from its external advisers that the Annual Report and Accounts adhered to the requirements of the Companies Act, the Code, the Listing Rules and other relevant regulations and guidance.

Conclusions

The Annual Report and Accounts for the year ended 30 June 2022:

- clearly, comprehensively and accurately reflects the Group and Company's performance in the year under review;
- contains an accurate description of the business model;

- correctly reflects the Group and Company's purpose, strategy and culture;
- includes consistent messaging and clear linkage between each of the sections of the Annual Report and Accounts; and
- includes KPIs, which are consistent with the business plan and remuneration strategy.

Accordingly, the Committee recommended to the Board that the FY22 Annual Report and Accounts are fair, balanced and understandable. The Board's formal statement on the Annual Report and Accounts being fair, balanced and understandable is contained within the Statement of Directors' Responsibilities on page 172.

Audit Committee report CONTINUED

Audit, risk and internal control

Internal controls and the risk management process

The Committee monitors the Group's risk management and internal control systems, including their effectiveness, on behalf of the Board. The key aspects are as follows:

- a clear organisational structure with defined levels of authority and responsibility at all levels of the business;
- financial and management reporting systems under which financial and operating performance is planned on a three-year basis and budgeted annually. Financial and operating performance is consistently reviewed against budget and forecasts at divisional, regional and Group levels on a monthly basis; and the information is used in the preparation of the Annual Report and Accounts;
- identification and review of principal operational risk areas to ensure they are embedded in the Group's monthly management reporting system as routine aspects of managerial responsibility. Details of the risk management system and the principal risks are set out on pages 52 to 57;
- assessment of compliance with internal control and risk management systems, including a consideration of controls over non-financial risks. This assessment is supported by the Group's internal audit team, which is responsible for undertaking a risk-assessed annual audit plan, ad hoc audits and reporting to the Committee, and, if necessary, the Board, on the operation and effectiveness of those systems and any material failings;
- mapping of assurance procedures to the Group's principal risks, to ensure that the mitigating controls are sufficiently robust; and
- consideration and approval of the Group's tax position and strategy.

The Group's operations and financing arrangements expose it to a variety of financial risks that include the effects of changes in borrowing and debt profiles, Government policy, market prices, credit risks, liquidity risks and interest rates. There is a regular, detailed system for the reporting of daily cash balances and forecast cash flows from operations to Senior Management, including Executive Directors, to ensure that risks are promptly identified and appropriate mitigating actions taken. These forecasts are further stress tested at a Group level on a regular basis. 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, for example maintaining land creditors at between 15% and 25% of its owned land bank and limiting its exposure to institutions with high credit ratings. Financing activities are delegated by the Board to a centralised Treasury Operating Committee. Group Treasury operates according to treasury policies that are approved by the Board and the Treasury Operating Committee.

Development of an Audit and Assurance Policy

The Committee supports, as does the Board, the publication of an Audit and Assurance Policy in order to bring greater transparency to the assurance it receives in order to gain comfort over the Group's management of risks, and over its accurate reporting of both financial and non-financial information.

During the year, the Committee reviewed a number of items which will support the adoption and publication of an Audit and Assurance Policy. These included:

- a risk assurance map setting out assurance already in place, using the three lines of defence model, to identify any gaps or areas where improvement was required. The Committee reviewed further updates after improved monitoring activities were implemented by the first and second lines, and the internal audit universe was updated to enhance the level of third line assurance provided by internal audit;
- assurance mapping over the Group's published financial and non-financial information. This resulted in the appointment of Deloitte LLP to provide additional independent assurance over certain aspects of the Group's climate related disclosures, including TCFD and certain other non-financial information. It is likely that this type of formal assurance over non financial information will be extended in future years; and
- the completion of a detailed fraud risk assessment exercise to identify, consider, and assess fraud risks in place across the Group and the associated controls and assurance in place to mitigate and manage these.

The Committee will continue to monitor the development and formalisation of the assurance in place across the Group's risks, key internal controls over financial reporting and financial and non-financial published information, with the view to publishing its Audit and Assurance policy during FY23.

Whistleblowing

The Group has a clear whistleblowing policy and procedure, which is communicated to the workforce. Concerns can be raised by employees with managers, or can be reported by anyone, anonymously if necessary, to a confidential and independent hotline. The hotline is available 24 hours a day, with any matters raised being notified to internal audit immediately by email. Matters requiring urgent attention (including corruption, human rights abuse and safety) are notified to the Head of Internal Audit by phone immediately, including outside business hours. The Head of Internal Audit reviews and investigates matters raised, and any substantive issues are raised with the Chair of the Audit Committee. The Head of Internal Audit also updates the Committee on whistleblowing incidents at each of its meetings. The Committee reviews the overall procedure, investigations and outcomes, as well as the availability and frequency of use of the whistleblowing hotline. The Chair of the Committee updates the Board on whistleblowing reports and investigations on a regular basis, and the Board reviews the whistleblowing arrangements and discusses the most significant issues as appropriate.

Internal audit

Information regarding internal audit matters considered by the Committee are set out in the table of work carried out on page 91.

The Head of Internal Audit continued to make changes as part of on-going improvement plans as follows:

- Creation of an internal audit universe and rolling audit plan to ensure coverage of key audit topics and areas as set out in the risk assurance map for the third line of defence;
- Creation and implementation of a divisional risk dashboard to monitor and track emerging divisional risks and inform the frequency and prioritisation of divisional audits;
- Review and formalisation of the approach and plan for providing assurance over business change via Independent Project/Programme Assurance and the approval of additional headcount to provide this assurance; and
- Review and improvement of internal audit outputs, including the audit report format, scoring and tracking of agreed management actions to continue to ensure value from internal audit.

During the year, the IIA was asked to undertake an EQA. The IIA concluded that the internal audit function conformed to 54 of its 64 fundamental principles, with six partial conformances and four which were not applicable. There were no areas where the function did not conform. The IIA also made suggestions for further improvement and enhancement of internal audit activity. An action plan has been established and is being implemented to address the areas of future improvements. This has been shared with the Committee.

Following the EQA, the Committee considered the reporting line of the Head of Internal Audit, following the recommendation by the IIA that this should be directly into the Chief Executive. The Committee confirmed that it was comfortable with the existing reporting line to the Chief Financial Officer given that any issues are reported to the Chief Executive in a timely manner. They were also comfortable with the independent relationship between the Head of Internal Audit, the Chair of the Committee and the wider Committee. The Committee confirmed that they would keep this reporting line under review.

Following the completion of the EQA, the Committee considered and confirmed that, in its opinion, the internal audit team had operated effectively and provided an appropriate level of independent scrutiny of the operations of the Group.

External audit Audit performance and effectiveness

The Committee annually reviews the external audit plan and process. This year it approved the continued key risk elements of the audit continuing to be brought forward to reduce pressure on the busy financial reporting period after year-end.

Deloitte LLP were appointed, after a thorough tender and interview process, to provide assurance over our TCFD and certain non-financial disclosures. The appointment and fees associated with this work are in accordance with our Auditor Independence and Non Audit Fees Policy.

In forming its conclusion on performance and effectiveness, the Committee reviewed amongst other matters:

- feedback from all stakeholders on the external audit;
- our external auditor's fulfilment of the agreed audit plan for FY22;

- reports highlighting the material issues and critical accounting judgements and key sources of estimation uncertainty that arose during the conduct of the audit;
- the external auditor's objectivity and independence during the process, including its own representation about its internal independence processes; and
- the challenges raised by the external auditor during the audit.

The Chair of the Committee met with the leaders of the external audit team to assess their experience and understanding of Barratt, which were considered appropriate. He also met with the partner responsible for engagement quality control reviews, to better understand how that role enhances the delivery of audit quality.

The assessment of the effectiveness and performance of the external auditor also included reviewing and approving the Group's approach to its external audit quality indicator assessment. The assessment included a questionnaire covering the five key audit areas highlighted by the FRC, which was completed by a broad spectrum of stakeholders from the Board to Divisional Finance Directors. Generally the respondents scores were good, with project management identified as the area of focus for FY23. The Deloitte LLP team worked to rectify this over the course of the audit and offered in-person visits to divisions to close out queries.

During the audit, the external auditor challenged management's judgements and assertions on the following matters in particular:

- margin recognition;
- valuation of provisions related to legacy developments;
- liabilities in respect of completed developments; and
- accounting and reporting of the acquisition of Gladman Developments Limited.

The Committee's response to these can be found in the relevant section of the table of significant issues considered by the Committee relating to the Financial Statements on page 92 and 93.

The FY21 audit was subject to an Audit Quality Review, the progress of which was regularly reported to the Chair of the Committee, and is yet to be completed.

The Committee concluded that the external audit process as a whole had been conducted robustly, the external audit team selected to undertake the audit had done so thoroughly and professionally, and the external auditor had applied sufficient experience and understanding of the housebuilding industry, consulted with experts as necessary, and is of sufficient size to conduct the audit. Deloitte LLP's performance as external auditor to the Group during FY22 was therefore considered to be satisfactory.

In addition, the Committee was satisfied that management had provided the external auditor with appropriate access to its operations and head office teams, systems, records and supporting information, whilst acting professionally and with appropriate challenge, enabling the audit to be conducted effectively.

Auditor independence and non-audit fees

The Company's Policy on auditor independence and non-audit fees is available at www.barrattdevelopments.co.uk/investors/corporate-governance. With effect from 1 July 2021, the policy caps non-audit fees at 70% of the average audit fees over the previous three years. The Committee continually monitors the ratio of non-audit to audit fees to ensure that it does not exceed this cap. For FY22, non-audit fees (including audit-related assurance services) for the Company and its subsidiaries and JV's were £210k, representing 22% of the total audit fee. Non-audit fees based on the average of the previous three years' audit fees were 28%. Further details of the audit and non-audit fees incurred by the Group can be found in Note 3 on page 146. The non-audit fees were for work undertaken by our external auditor for the review of the half year report and also assurance provided over TCFD and certain non-financial disclosures included in our FY22 results.

This Policy also sets out the duties of the Committee relating to the protection of the objectivity and independence of the external auditor. The pre-approval levels and conditions required for different non-audit services that might be required from the external auditor, together with prohibited services, are detailed in the Policy. It also sets out restrictions on the recruitment of employees from the Group's external auditor. During the year, this Policy was reviewed and updated. It is in line with the auditor independence rules of the FRC's Revised Ethical Standard 2019 and includes the FRC's whitelist of permitted non-audit services. There are no conflicts of interest between the members of the Committee and the external auditor.

Audit Committee report CONTINUED

Audit, risk and internal control

The Committee requires written confirmation annually from the external auditor that it remains independent. For FY22, our external auditor provided a comprehensive report to the Committee verifying that it had performed its audit and audit-related services in line with independence requirements and explaining why it believed that it remained independent within the requirements of the applicable regulations and its own professional standards. The report also explained why the ratio of audit to non-audit fees, and the extent and type of non-audit services provided, was appropriate. The Committee conducted its own review and endorsed the external auditor's conclusions on compliance with the Policy and independence of the external auditor.

Accordingly, the Committee was satisfied that both the work performed by our external auditor, given its knowledge of the Group, and the level of non-audit fees paid to it, were appropriate and did not raise any concerns in terms of our external auditor's independence.

External audit tender

Deloitte LLP was first appointed as external auditor to the Group in 2007, and was reappointed following a competitive tender in FY17. Having conducted a competitive tender in 2017, the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 issued by the CMA on 26 September 2014. Claire Faulkner was appointed as lead audit partner for the FY18 audit and, in accordance with the FRC ethical standards, has completed her maximum tenure. Jacqueline Holden will replace Claire Faulkner as lead audit partner with effect from the FY23 audit and a period of transition has taken place during the second half of FY22. Jacqueline was selected after an interview process involving the Chair of the Committee, supported by the then acting Chief Financial Officer. The external audit team's second audit partner was rotated for the FY20 audit and will therefore remain in place..

Under current regulations, the Company is not due to re-tender its audit until 2027. Given the continuing effectiveness of Deloitte LLP in its role as external

auditor, the Committee currently believes it is in the best interests of shareholders for Deloitte LLP to remain in role and for a competitive tender process to be completed in 2027. The Committee will, however, continue to monitor Deloitte LLP's performance as external auditor and make recommendations accordingly.

Assessment of the external auditor

Having considered the external auditor's performance, the Committee recommended to the Board that the external auditor remains independent, objective and effective in its role and therefore should be re-appointed for a further year. On the recommendation of the Committee, the Board is putting forward a resolution at this year's AGM to re-appoint Deloitte LLP as external auditor for a further year.

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

Jock Lennox
Chair of the Audit Committee
6 September 2022

Safety, Health and Environment Committee report



“The health and safety of our workforce, customers and the public, and the protection of the environment around our developments, remain a fundamental priority for the Group.”

Chris Weston
Chair of the Safety, Health and Environment Committee

Statement from the Chair of the SHE Committee

I am pleased to present this report after my first full year as Chair of the SHE Committee. The health and safety of our workforce, customers and the public, and the protection of the environment around our developments, remain a fundamental priority for the Group and is embedded within the day-to-day operations of the business.

FY22 areas of focus

Accident prevention has remained a key area of focus throughout the year, following the increase in the Group IIR in FY21. As a result of the action plan that we put in place at the end of the last financial year, we have reduced our IIR from 416 per 100,000 persons in FY21 to 262 in FY22.

This reduction to below pre-COVID-19 levels has been achieved through the concerted efforts of management and the workforce. The Committee has been provided with a bi-monthly update on the progress made in the delivery of the action plan and its impact on our IIR. There has been particular focus on slip and trip incidents through a good housekeeping campaign, and we have worked with our contractors on ensuring work areas are kept clean and free of trip hazards. We have also worked closely with our supply chain to increase their awareness of controls required for their work and to ensure appropriate levels of competent supervision.

As COVID-19 restrictions were lifted, we undertook a review of our procedures on management of non-COVID-19 related health and safety matters. In particular, the SHE team worked hard to ensure our offices remained safe as our employees returned during the year, providing health and wellbeing support, and mitigating any remaining risks associated with the pandemic.

The SHE team, together with HR, continue to proactively drive health and wellbeing support, particularly around mental health, and we continue to increase the number of mental health first aiders in the business and the support provided to employees and their families.

During FY22, the SHE Committee supported the newly established Sustainability Committee in the delivery of our sustainability framework, including finding ways to reduce our direct and indirect carbon emissions across our operations. There has been particular focus on the reduction of waste created from our construction activities, resulting in a decrease in the amount of waste requiring removal from our sites. Further information can be found in the Sustainability Committee Report on pages 99 and 104.

FY23 key priorities

Injury and ill health prevention remain a key area of focus for the business, with the aim of, as a minimum, maintaining, if not improving, our IIR. We will continue to review all working practices and consider enhancements to existing safe systems of work, especially around working at height and those activities involving ground workers. With effect from 1 July 2022, all dumpers of six tonnes or more operating on our sites were required to have an enclosed cab to protect the operator. We have worked closely with dumper manufacturers and sub-contractors to ensure that this new requirement can be adhered to. We continue to review and update our induction process. During the year, we introduced our induction management app to ensure all individuals attending our sites are clear on what we will provide and do, and what is expected from them. We will also continue with our positive engagement with key members of our supply chain in reviewing safe systems of work and developing enhanced controls for their work activities.

We have committed to further assess the SHE culture within our business, including the possible use of survey tools to assess the views of our employees and contractors. Information arising from this assessment will be used to implement an appropriate action plan to further enhance our SHE performance, with progress being monitored by the Committee.

I would like to thank the SHE team, our employees and sub-contractors for the great work that they undertake each day to keep our people safe.

Chris Weston
Chair of the SHE Committee
6 September 2022

Role and activities of the SHE Committee

The SHE Committee's activities continue to remain focused on the prevention and mitigation of the key operational risks relating to health and safety, and the protection of the environment. By receiving reports and challenging those tasked with SHE performance where necessary, the SHE Committee helps the business to improve its SHE standards. It supports and oversees the direction and implementation of SHE Policy and procedures which encourage efficient working practices, prevention of injury and illness, and support our continuous improvement strategy and ongoing sustainability of the Group.

The SHE Committee continues to work closely with the SHE Operations Committee, which is responsible for the implementation and oversight of the Group's overall SHE improvement strategy on a day-to-day basis. The SHE Operations Committee reports directly to the SHE Committee. The Group Construction and SHE Director presents SHE update reports to each of these Committees and to the Board. The SHE Committee has at least one joint meeting with the SHE Operations Committee each financial year. In addition, the SHE Committee Chair is now invited to attend all SHE Operations Committee meetings. This enables the Committee and its Chair to gain enhance its understanding of the operational issues faced by the workforce, and to discuss them, and ways to improve them, directly with those responsible for day-to-day SHE management.



Safety, Health and Environment Committee report CONTINUED

Membership and attendance at SHE Committee meetings

The membership of the SHE Committee and the attendance at each of its scheduled meetings is set out on page 77.

Only members of the SHE Committee have the right to attend meetings; however, other individuals may be invited, at the request of the Chair, to attend all or part of any meeting where it is deemed appropriate. Two SHE Committee meetings took place during FY22. The following page sets out the work undertaken by the SHE Committee during the year.

Main activities undertaken during the financial year

The SHE Committee's responsibilities are set out in its Terms of Reference, which can be found on the Company's website at www.barrattdevelopments.co.uk/investors/corporate-governance. In addition to the tasks carried out annually, such as a review of its Terms of Reference and approval of this report, the SHE Committee carried out the following work during the year:

| Priorities | Work carried out and outcomes |
|------------------------------------|--|
| IIR | Continued to monitor SHE performance targets, key performance indicators and IIR, all of which are available on pages 5 and 18. |
| SHE training and compliance | Reviewed outcome of the British Assessment Bureau Audit, where no non-conformances were identified. Considered the progress of integration of Oregon and Gladman into Barratt SHE management and noted the appointment of the new Head of SHE at Oregon. Considered and agreed implementation of the HSE Safety Climate tool, with additional resourcing from HR as required. Reviewed and agreed a plan of action for temporary works. |

SHE management system

Our Safety, Health and Environmental management system continues to be accredited to the international standards ISO 14001 and 45001. We carried out a full review of the system in April 2022 and revised its format in line with other Group policies and procedures. A comprehensive audit of the system was undertaken by the British Assessment Bureau in April 2022 and no non-conformances were identified. In addition, the SHE team carried out comprehensive audits of each of our operating divisions during the year, including a comprehensive review of the divisions' application of our management system and consideration of the opportunities for continuous improvement.

Working with our groundworkers

We have worked with our supply chain on enhancing the controls for excavating near underground services, such as the introduction of the use of vacuum extractors, to reduce the risk of contact with services by plant. We have also introduced an e-learning module for our construction management teams on safe digging techniques and controls. We are continuing with our strategy of enhancing the controls for groundworks operations and have been working with contractors to consider additional measures that can be put in place for areas such as plant safety. A mandatory policy of cabs on dumpers (six tonnes and above) came into force on 1 July 2022 on our sites, and we consider this an effective measure to ensure the safe operation of this plant in

all weathers. We have also been working with contractors on considering proximity warnings that can be applied to plant to warn others that pedestrians are in close proximity. This work is ongoing and we hope to move this forward in FY23.

Mobile technology

Focus continues on enhancing our health and safety systems and controls. The new mobile applications introduced last year are proving highly effective in maintaining records of inductions linked to competency cards and enhancing the recording of accidents, incidents, near misses and non-conformances. These have also enabled us to analyse trends and identify areas for improvement, which we have considered as part of our overall continuous improvement plan. We continue to issue updates to the business following incidents outlining the event and any learning outcomes or action to be taken.

Workforce collaboration

We have also reviewed and relaunched our Five Steps to Safety initiative aimed at encouraging all to work collaboratively, and we continue to assess the risks associated with their work activity. Linked to this initiative, an updated method of reporting any observations via a QR code has been deployed on all sites, providing further opportunity to highlight good practice or report issues that may require attention. This process enables us to quickly address any issues raised and ensure that they are effectively dealt with and closed out.

Reviewing risks in the build process

Our SHE team, in conjunction with our supply chain, have continued to consider practical measures to improve work activities on site. We previously implemented proprietary systems for stairwell protection and have continued to develop these, particularly systems that can be used for timber frame construction. Not only do these systems reduce the risk of falls, they also reduce the waste created from using sacrificial material to protect the openings. We have also been working with a supplier to develop a means of securing roof trusses whilst they are being erected and will be continuing with these trials during FY23.

Health and Safety training

We launched a series of additional e-learning packages to support our existing training provision, and continue to develop these so our colleagues have access to clear and concise information relating to specific risks associated with their work. These are subject-specific sessions, ensuring that colleagues have access to the training and information required to assess any risks associated with their work. This enhances our already established process of providing regular and targeted SHE briefings (toolbox talks) to all those working on sites.

Occupational health and wellbeing

The Group continues to promote occupational and mental health for all employees, which has been vital throughout this unprecedented time. With support from the Group HR team, employees were given access to a variety of webinars, e-learning modules and newsletters, all of which contained guidance on staying healthy both physically and mentally. Further details of our health and wellbeing initiatives are given on page 31.

Environmental protection

As detailed above we have a management system in place that is compliant with environmental standards. Prior to commencing on site, we undertake an assessment of the local environment and put plans in place to prevent contamination of any adjacent watercourses. These plans and controls are reviewed monthly and action is taken where enhancements or maintenance of the controls are required.

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

Chris Weston
Chair of the SHE Committee
6 September 2022

Sustainability Committee report



“Given the importance of ESG issues for our business, the Board established this Committee to help drive our sustainability and climate-related agenda as we strive to be the leading sustainable national housebuilder.”

David Thomas
Chair of the Sustainability Committee

Statement from the Chair of the Sustainability Committee

I am pleased to present my first Sustainability Committee report. Over the last few years, the Board has been focused on working to embed our Building Sustainably framework into all areas of our operations. This framework underpins our commitment to protect and enhance the things that matter to us most as a business: our people, the places we create, and the natural world in which we operate. Given the importance of ESG issues for our business, the Board established this Committee to help drive our sustainability and climate-related agenda as we strive to be the leading sustainable national housebuilder.

The Committee's purpose is to debate, review and approve the sustainability strategy and framework, and to scrutinise the business response to climate risks and opportunities. This includes the required business model impacts and the embedding of the appropriate controls and processes. It will continuously monitor how we adapt our plan to meet evolving sustainability challenges in the external space in which we operate. The Committee will also evaluate the sustainability and

climate implications of major business initiatives and make recommendations in response. It is also responsible for the content of the TCFD disclosures (which can be found on pages 58 to 71).

To facilitate this work, the Committee has a programme of external experts attending its meetings in order to advise and inform its work and to build the capacity and knowledge of its members on these important topics. This year, it received updates from experts in carbon reduction and the UK's transition to net zero, environmental economics and the potential impact of carbon pricing, and corporate responsibility for human rights. In addition, PwC has been appointed as the independent adviser to the Committee to challenge its decisions and to keep it abreast of emerging issues and opportunities. PwC's other connections to the Company are set out on page 111.

The Committee also recognises that its work depends on having robust ESG data and it will continue to ensure the processes to provide appropriate assurances on this are in place.

FY22 areas of focus

The Committee reviewed and approved the Sustainability governance framework, formalising the responsibilities and objectives of each element of the sustainability framework and the interaction between them, and progressed the integration of our sustainability and climate change agenda into our business strategy.

Progress against our objectives around waste, carbon, biodiversity and water were monitored, and new risks and opportunities were identified. Climate-related issues are a standard agenda item at meetings – this year, the Committee considered recent changes to the requirements and guidance from the SBTi, and what the implications may be for us in the short, medium, and long-term. It also assessed climate risks and opportunities and financial impact in compliance with TCFD requirements. Additionally, the Committee agreed the benefits and importance of formalising a Human Rights Policy for the business.

FY23 key priorities

The Committee will be focusing on developing a longer-term sustainability strategy for the Group, undertaking a refreshed materiality review to ensure we are prioritising the issues that matter most. The Committee will look to further explore the use of non-financial value measures and how this could be further embedded in the business model during FY23.

Another key priority is to develop the Group's net zero transition plan to focus on the Group's activities, including further developing and potentially restating the Group's science-based targets. The transition plan will be supported by working closely with sub-contractors and the supply chain to better understand their approach to carbon reduction, particularly around Scope 3 emissions, data accuracy and how the Group can support this.

The Committee will also review and make recommendations for the publication of a formal Human Rights Policy and associated implementation programme for the Group.

I would like to thank the Sustainability team for their support in establishing a strong foundation in the Committee's first year of operation, from which the Committee's activities will no doubt continue to add value to the business.

David Thomas
Chair of the Sustainability Committee

6 September 2022

Sustainability Committee report CONTINUED

Role and activities of the Sustainability Committee

Membership and attendance at Committee meetings

The Committee meets quarterly. Membership of the Committee and attendance at each of its scheduled meetings is set out on page 77.

Only members of the Committee have the right to attend meetings; however, other individuals may be invited, at the request of the Chair, to attend all or part of any meeting where it is deemed appropriate. At least one member of the Committee must have sustainable development-related skills. Three Committee meetings took place during FY22. The following pages set out the work undertaken by the Committee during the year.

Main activities undertaken during the financial year

The Committee's responsibilities are set out in its Terms of Reference, which can be found on the Company's website at www.barrattdevelopments.co.uk/investors/corporate-governance. In addition to the tasks carried out annually, such as reviews of its Terms of Reference and approval of this report, the Committee carried out the following work during the year:

| Priorities | Work carried out and outcomes |
|---|--|
| Sustainability strategy | <p>Provided an initial overview of the approach and scope of the new long-term sustainable business strategy. Agreed that a review of materiality for the Group was required. Further details of the outcome are given in FY23 key priorities on page 99.</p> <p>Considered and agreed the KPIs appropriate to the Building Sustainably framework and the business' performance against these.</p> |
| Science-based target setting/reporting | <p>Reviewed requirements of the SBTi and agreed a plan to revise this in FY23.</p> |
| Net zero transition plan | <p>Updated and approved the net zero transition plan for Scopes 1, 2 and 3 emissions and updated on progress against the targets.</p> |
| Risk management and TCFD | <p>Discussed our approach to climate risks and opportunities and the strategic impacts on the business of our climate risks and opportunities, and work undertaken to comply with the TCFD requirements. Further information on Board oversight of climate risks and opportunities can be found on pages 58 to 71 of the Strategic Report.</p> |
| Review of policies | <p>Considered the scope and boundaries of the Group's Human Rights Policy in order to advise the Board, requesting further validation of salient human rights risks in order to develop a prioritised, planned programme of work.</p> |
| Governance framework | <p>Agreed the sustainability governance framework and developed the annual agenda.</p> |
| Benchmarks and indices | <p>Reviewed and agreed plans for ongoing participation in sustainability benchmarks and indices.</p> |

Waste management

Over the last year, we have made good progress in our waste strategy. This has been supported by a business-wide action plan and the role of the newly recruited project manager who is focused solely on driving performance improvement activities to reduce waste. The provision of more regular and higher quality data by sites, with each division reviewing their performance and developing action plans, has also supported improved outcomes.

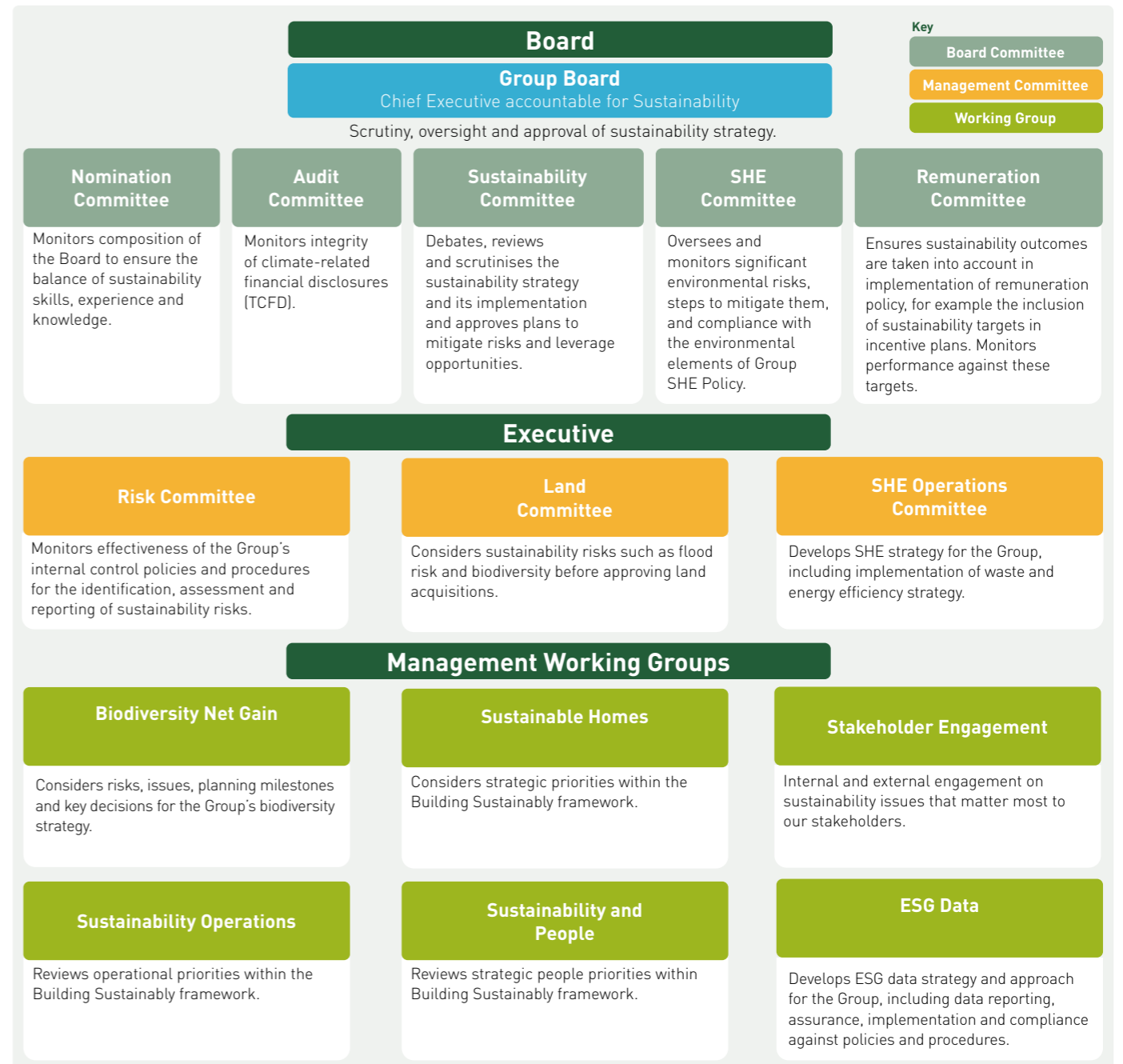
To monitor waste and ensure compliance, we undertake monthly waste audits and cost reviews. In addition dedicated waste champions are driving progress at a divisional level and on sites. A programme of toolbox talks, poster campaigns, ongoing alerts and site visits in partnership with our waste management service providers has also been implemented. We continue to work collaboratively with our supply base to implement waste reduction actions.

Net Zero Transition Plan

We have carbon reduction targets in place across all of our value chain. For scopes 1 and 2, which account for 1% of our carbon emissions. We have a detailed plan against which we are making progress, with relevant operational teams responsible for driving activities as needed. For scope 3, which accounts for 99% of emissions, we have developed a transition plan for reducing emissions. Our net zero transition pathway is set out on page 71.

Sustainability Governance

We have created a robust governance framework to support the Committee in scrutinising and implementing sustainability and climate-related matters throughout the organisation and its supply chain.



The Board has overall responsibility for our Building Sustainably Framework and climate-related matters, with delivery delegated to the Sustainability Committee for effective day-to-day management and to embed the required systems throughout into the business. The Chair of the Audit Committee also provides additional oversight regarding the Group's progress on climate-related risks and opportunities, as well as broader ESG risks, and the internal control frameworks operating across the Group to ensure

these are carefully identified, assessed and appropriately managed.

The Remuneration Committee designs and implements appropriate remuneration policy and incentives to drive sustainability outcomes, including waste intensity and carbon.

For further details on climate-related matters with Board delegated authority see page 59.

To ensure that the Group has formal governance of sustainability and climate-related issues, with clearly understood accountabilities and responsibilities, we have formalised a number of cross-functional working groups. These enable issues to be planned, scrutinised and developed, implemented and then monitored and tracked appropriately in accordance with their priority.

Sustainability Committee report CONTINUED

Target setting








The changes to the requirements and guidance from the SBTi (effective July 2022) was examined to determine the implications for the Group in the short, medium and long term. A plan was agreed to consider and, if required, restate the Group's science-based targets during FY23. Our detailed greenhouse gas emissions performance can be found on page 69.









Our targets and FY22 performance

For each of our sustainability framework pillars, we have a robust process from identifying material issues through to operational delivery. This allows us to have clear metrics and workstreams for each of our goals, and well-defined accountabilities which inform our implementation plans across each stage. Performance is monitored throughout the year and reported to the Committee biannually, and to the Board annually.

Performance against our sustainability metrics is set out in the table below. To accelerate progress against our priorities, we included a carbon reduction target for the first time in the 2021 LTPP granted in October 2021 and introduced a waste intensity target for the FY22 annual bonus. Going forward performance against our ESG targets will continue to be linked to remuneration in the same way.

Sustainability performance

| Focus area | SDG | Target | FY22 Performance | FY23 focus areas |
|-----------------------------------|---|--|---|--|
| Nature | | | | |
| Biodiversity & nature |  | Demonstrate a minimum biodiversity net gain of 10% across all development designs submitted for planning. BY 2023 | 140 compliant sites in FY22 ahead of legislation ON TRACK | We expect to achieve 10% BNG on all our developments in 2023. Our approach will continue to ensure high-quality designs and improved colleague capabilities through: <ul style="list-style-type: none"> Extensive programme of workshops and roll out of tools and materials. Collaboration with external ecology experts to deliver species focused outcomes. For further detail see page 26. |
| |  | Reduce construction waste intensity by 20% vs. 2015 (to 5.67 tonnes per 100m ² legally completed build area). BY 2025 | 30% reduction ON TRACK | We have made strong progress on waste over the last year and are therefore reviewing the target to better capture our accelerated ambition. Our approach going forward will continue to minimise waste through: <ul style="list-style-type: none"> Design improvements and resource management aligned with the waste hierarchy - including collaboration workshops with suppliers to develop packaging reduction options. |
| Waste and circular economy |  | Maintain 95% diversion from landfill for construction waste. ANNUALLY | 96% TARGET MET | <ul style="list-style-type: none"> Focussing on light weight compactible waste, onsite material protection, materials reuse and recycling, and segregation of waste streams. For further detail see page 28. |
| |  | 100% of new homes to be built to 105 lpppd. FROM FY22 | Achieved TARGET MET | Our focus going forward will include driving reduction in homes as well as during the construction phase through: <ul style="list-style-type: none"> Increased site metering and adoption of water reduction activities on site. Adoption of design improvements for our homes, and participating in the HBF's Water Matters Group, which collaborates with water companies on innovations to reduce consumer consumption. |
| Water |  | 100% of new homes to be built to 105 lpppd. FROM FY22 | Achieved TARGET MET | Our focus going forward will include driving reduction in homes as well as during the construction phase through: <ul style="list-style-type: none"> Increased site metering and adoption of water reduction activities on site. Adoption of design improvements for our homes, and participating in the HBF's Water Matters Group, which collaborates with water companies on innovations to reduce consumer consumption. |
| MMC |  | To apply offsite-based products and systems in 30% of homes. BY 2025 | 27% ON TRACK | Last year we achieved our 2025 target to apply offsite- based products and systems to 25% of homes. We therefore refreshed the target to better capture our accelerated ambition and have continued to make good progress in FY22. Going forward we will continue to incorporate a combination of timber frame, as well as large format block, roof cassettes and insulated pre-cast concrete foundation units to ensure we achieve our target. For further detail on MMC innovations see page 28. |
| Deforestation |  | 100% of timber certified for net zero deforestation (for all timber procured via Group agreements, BD Living, Oregon and sub-contractor fencing). ANNUALLY | 99.47% BEING MONITORED | We have improved our performance over the last year, and will continue to do so by working with our suppliers to drive greater conformance to FSC or PEFC standards, through: <ul style="list-style-type: none"> Strengthening of procurement processes and validation checks. Supporting suppliers of the small quantity of non- certified timber to find alternative supply routes |

| Focus area | SDG | Target | FY22 Performance | FY23 focus areas |
|----------------------------------|---|--|--|--|
| Nature | | | | |
| Carbon |  | Reduce absolute scope 1 & 2 (operational) carbon emissions by 29% (from 2018 levels). BY 2025 NET ZERO BY 2040 | 23% ON TRACK | A significant proportion of this year's performance has come from a reduction in site emissions, driven by earlier grid connections, decreasing gas usage and reducing electricity usage. Our continued focus will be on driving emissions reductions through our operations and facilities. This will include continuing to replace diesel with low carbon alternatives, use of efficient plant and generators, transferring our car fleet to hybrid and electric and offices to renewable electricity tariffs. For further detail see page 71. |
| |  | Reduce scope 3 (indirect) emissions intensity by 24% (from 2018 levels). BY 2030 | 1.6% reduction BEING MONITORED | For further details about our performance and activities in this area, see pages 68 to 71. There has been an increase in scope 3 emissions in the last year, driven by higher completions. We are working with our supply chain to drive reductions through: <ul style="list-style-type: none"> Improving our understanding of specific supplier emissions data to enable us to capture performance more accurately, and engaging with our highest emitting partners to determine their reduction strategies. Alignment with the Future Homes Standard and the use of alternative fuels within our value chain will play an important part of our transition to net zero. |
| Zero carbon homes |  | All new house types to be zero carbon (regulated energy) in use. BY 2030 | ON TRACK | Our zero carbon homes roadmap is progressing well. The roadmap includes researching and trialling innovative products and techniques, and collaborating in industry research projects, such as the Zed House and Energy House 2.0 respectively. For further detail see pages 14 and 15 and pages 58 to 71. |
| Renewable energy |  | Ensure 100% of own electricity is on renewable tariffs. BY 2025 | 76% ON TRACK | The electricity not yet on a renewable tariff is primarily where we use non-metered supplies, such as street lights and water pumps, which we are working to switch to renewable tariffs. |
| Sustainable travel |  | 100% of company car fleet free of diesel and petrol cars. BY 2030 | 40.9% ON TRACK | Encouraging and supporting colleagues to choose more sustainable travel options through: <ul style="list-style-type: none"> Provision of attractive employee benefits such as My Green Car which was introduced during the year. Optimising the choice process to unlock a wider range of electric and hybrid vehicles and reviewing upgrade options. Due to positive progress to date the target has been brought forward to 2028, with no further diesel and petrol cars offered from 2024. |
| Places | | | | |
| Great places |  | 100% of completed developments designed to Great Places Silver Standard or better. ANNUALLY | 90% TARGET NOT MET | All our developments meet the required development standards, which our internal Great Places standards exceed. We have established an improvement programme to expedite progress in this area, including delivery of regional consultant placemaking workshops focusing on landscaping and biodiversity net gain. Further details can be found on page 26. |
| Sales and marketing |  | Eliminate single use plastics from sales and marketing merchandising by December 2021. | Achieved TARGET MET | Achieved elimination of single use plastic merchandising products from Group suppliers by replacing with more sustainable alternatives such as biodegradable pens and FSC bamboo keyrings, and also repurposing of residual stock. |
| Green lending and finance |  | Unlock green mortgages for customers to purchase our homes and explore the potential of new green finance products for our business. | Positive engagement in FY22 ON TRACK | Working with relevant stakeholders including lenders and Government to raise awareness of the benefits of green mortgages through knowledge sharing events and piloting green mortgage products. For further detail see pages 22, 24 and 47. |

Sustainability Committee report CONTINUED

| Focus area | SDG | Target | FY22 Performance | FY23 focus areas |
|---|------------------------|---|---|---|
| People | | | | |
| Modern slavery | | Maintain our status as a Living Wage Employer. | Status maintained | Carrying out audits to ensure full compliance with Living Wage Employer status across the business. Further information about development of our human rights policy can be found on page 99. |
| | | ANNUALLY | TARGET MET | |
| | | Maintain an average of four training days per employee. | 3 training days | An increase in digital training, which takes less time to complete, has resulted in a drop in total number of training days. |
| | | ANNUALLY | TARGET NOT MET | Our intent going forward is to retain a blended approach of in-person and digital learning. The return to hybrid training will enable us to better achieve our target figure, and we will keep this under review. |
| | | Maintain 7% of workforce in a graduate, apprenticeship or trainee role. | 6% | A number of apprentices were deferred and held on our apprenticeship programme due to COVID restrictions and changes in apprenticeship standards. We have now resumed the programme at full capacity. |
| ANNUALLY | BEING MONITORED | Improvements to be driven through the launch of additional degree apprenticeships with Sheffield Hallam University and our continued work with the Green Jobs Taskforce. For further detail see page 30 to 33. | | |
| Attracting, inspiring and retaining people | | Maintain upper quartile UK FTSE performance in our engagement survey. | 79.4% | We saw a small decline last year, which follows a more general pattern across employers through the pandemic. We have implemented new employee initiatives during FY22 and will continue to review these going forward. Further details can be found on page 31. |
| | | ANNUALLY | BEING MONITORED | |
| | | Continued support for disadvantaged groups (ex-offenders, special needs and disabled) and for young people. | Continued progress against Social Mobility Pledge | Continuing to provide scholarships and bursaries for applicants to Sheffield Hallam University who would otherwise face financial barriers (FY22: £111,000). The next step is to define what "social mobility" means for our business, to allow us to track our impact on disadvantaged areas. Further details can be found on page 30. |
| ON TRACK | | | | |
| Diversity and inclusion | | Increase ethnic minority employees to 10% and ethnic minority senior employees to 5% by the end of 2021. | 7.3% of employees 2.1% of senior employees | The Group recognises that it needs to do more to develop greater diversity and inclusion within the business. Following the appointment of a Head of Diversity & Inclusion we are launching a three-year strategy including updated performance metrics, to: |
| | | TARGET NOT MET | | <ul style="list-style-type: none"> Hold leaders accountable for diversity and inclusion goals. Improve the representation of all groups across the business by ensuring our talent programmes look to create diversity in attraction, retention and promotion. Hear the employee voice directly to ensure we are providing an inclusive environment. |
| | | Increase female employees to 34% by end of 2021 and increase percentage of female employees in management grades to 30% by end of 2021. | 31.6% total female employees and 25.7% in management grades | <ul style="list-style-type: none"> We have made good progress in the interim: 68 delegates completed our female leadership development programme Catalyst. We established an ethnic minority colleague Barratt Connect Group and Disability Connect Group. We are taking part in the 30% Club Race Equity programme. |
| TARGET NOT MET | | For further details see pages 32 and 87. | | |
| Health and Safety | | Maintain Injury Incident Rate (IIR) at the level recorded in 2015 (381 or less per 100,000 employees including sub-contractors). | 262 | Continuous Improvement plan in place which includes our five steps to safety initiative, engagement with high-risk trades and HSC Safety Culture tool to be issued in FY23. Details of SHE performance over the year can be found on page 18. |
| | | TARGET MET | | |
| | | Reduce sickness absence below the industry benchmark as defined by XpertHR (FY22 target of 6.1) | 6.27 | We have implemented various initiatives including extended private medical cover to all employees in addition to existing employee healthcare benefits such as health screening, Bupa health and wellbeing services, gym membership and dental plans. |
| | | BEING MONITORED | | |

Human Rights Policy

A framework for formalising a human rights policy for the business was considered by the Committee. This will form the foundation for the implementation of a policy that ensures the application of

a consistent, leading practice approach to managing material human rights risk. The Committee will be looking to approve a Human Rights policy during the course of FY23, the scope and boundaries of which will ensure that the business is focusing its efforts in the highest risk areas.

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

David Thomas
Chair of the Sustainability Committee
6 September 2022

Remuneration report

Annual statement from the Chair of the Remuneration Committee



“The FY22 pay outcomes and our proposed approach to remuneration for FY23 are in the best interests of our shareholders, align with our strategy, reflect the wider business and economic environment and are fair, reasonable and appropriate.”

Katie Bickerstaffe
Chair of the Remuneration Committee

Statement from the Chair of the Remuneration Committee

I am pleased to present my report to you as Chair of the Remuneration Committee.

When considering the FY22 remuneration outcomes for the Executive Directors and in agreeing the targets for FY23 as set out in this report, the Committee took into account, amongst other factors, the performance of the Group in FY22 and the market conditions in which the Group operated (set out in the Chief Executive’s Statement on page 16, and the Marketplace section on pages 10 and 11 respectively).

Remuneration Policy

The Committee believes that the Remuneration Policy, as adopted by shareholders at the 2020 AGM, remains appropriate and fit for purpose and continues to be in line with market practice. Our Remuneration Policy is due for renewal at the 2023 AGM, and therefore over the course of the next year we will undertake a review of the Policy. Our intention is to amend the bonus deferral policy so that a fixed percentage of the final bonus outcome is deferred into shares (as opposed to any amount earned over 100% of salary) in line with IA guidance.

FY22 performance and reward

The business has continued to make good progress throughout the year, despite the challenges posed by the shortage of materials, issues with labour supply and cost increases across the industry. In particular, we are delighted that total home completions of 17,908 this year are ahead of pre-pandemic levels and with the record level of adjusted profit before tax. The Board is extremely grateful for the hard work and dedication of our teams and partners over the past two years to achieve these important milestones. The outcomes for the FY22 annual bonus scheme and the 2019 LTPP award are at 98% and 59% of maximum respectively before taking into account any impact of adjusted items.

FY22 annual bonus and 2019 LTPP and impact of adjusted items

As announced in April 2022, we signed the Building Safety Pledge to address necessary fire-safety issues on all buildings of 11 metres and above built in the last 30 years. We also committed to withdraw our buildings from, and/or reimburse, the Building Safety Fund and ACM Fund. The incremental cost of remediating buildings or funding remediation where we agreed to take responsibility for doing so, is estimated to be £396m which we have provided for in FY22. We consider the £396m to be sufficient to cover all aspects of the remediation, but will keep this under review. The cash expenditure is likely to be incurred over the next five years or more. The cost has been classified as an adjusted item in the income statement. The Committee considered the impact, if any, of this provision on annual bonus and LTPP outcomes for all participants within the business, including, but not limited to, the Executive Directors. In determining the appropriate approach, the Committee took into account several factors, including:

- the wider social and political context;
- whether a differentiated approach for the wider workforce and Senior Management would be appropriate;
- broad proxy agency voting guidance in respect of adjusted items;
- historical treatment of adjusted items by the Committee; and
- practice of other housebuilders in the market.

The Committee was also mindful that the Building Safety provision has arisen as a direct result of the Government’s retrospective changes in legislation, which extended the liability for building defects out to 30 years (from six or 12 depending on the circumstances), over which current management had no control.

Underpinning all of this was the fact that the Group’s adjusted profit before tax was likely to be in the range of £1,050m and £1,060m (actual: £1,054.8m, which is a new record for the Group).

Accordingly, the Committee agreed that it may need to exercise discretion in respect of the FY22 annual bonus and 2019 LTPP outcomes to ensure that they reflect a fair, reasonable and appropriate level of reward.

Taking all of this into account, the Committee has agreed the following treatment for the Building Safety adjusted item for the purposes of the FY22 annual bonus and the 2019 LTPP:

(i) Impact on FY22 annual bonus

For all employees, including Executive Directors, the profit before tax element of the annual bonus should be calculated on a pre-adjusted items basis. In coming to this decision, the Committee reviewed an analysis of incremental costs to determine what proportion, if any, of the c. £400m was not attributable to the change in legislation and whether this would impact the FY22 annual bonus outcome. The analysis of sites already being assessed for remediation confirmed that the vast majority (£396m) of the c. £400m provision was due to the legislative change. Whilst this was a theoretical exercise to give the Committee confidence in the equity of their proposal, it did confirm that maximum profit target would still be achieved for bonus and LTPP purposes. Accordingly, the actual bonus outcome for FY22 is 98.3% of maximum (being 150% of salary). As in previous years, any bonus earned in excess of 100% of salary will be deferred into shares for a period of three years, subject to a ‘continued employment’ condition.

(ii) Impact on 2019 LTPP

The 2019 LTPP is due to vest in October 2022. In determining the potential level of vesting, the Committee considered: (i) the financial and operational performance of the Company throughout FY22; (ii) that the LTPP recognises the long term performance of the Company over a three-year period; and (iii) that there is a strong alignment with shareholder experience through the TSR element, which represents 40% of the total award, and will not vest. Accordingly, the Committee agreed that EPS should be calculated on a pre-adjusted items basis (ROCE has always been calculated on this basis) and accordingly, 59.3% of the total award will vest in October 2022. This outcome also takes into account any proportion of the adjusted items

Remuneration report CONTINUED

Annual statement from the Chair of the Remuneration Committee

which was not considered to be directly attributable to the legislative change. The net number of shares vesting (following payment of any tax and national insurance due on release) will be subject to a two-year holding period commencing 1 July 2022 and to the provisions relating to clawback.

The Committee believes that this is a fair, reasonable and appropriate outcome, which reflects the overall performance of the Group over the year as well as appropriately taking into account any proportion of the adjusted items which was not considered to be directly attributable to the legislative change.

Both the FY22 annual bonus and the 2019 LTPP are subject to Committee discretion, whereby the Committee must be satisfied that the underlying financial performance of the Group, over the performance period, warrants the bonus outcome and/or level of vesting as determined by applying the respective targets formulaically. Subject to the matters discussed above, the Committee confirms that this is the case.

Full details of performance against each of the metrics for the FY22 annual bonus and the 2019 LTPP can be found on pages 116 and 117 respectively.

FY23 remuneration

Cost of living support

We remain conscious that the current rise in the cost of living is impacting our employees and we want to ensure that we are doing everything we can to support them. Accordingly, we brought forward our FY23 salary review for all eligible employees below Senior Management from 1 July 2022 to 1 April 2022. A 5% increase was applied for all these employees. Further, effective from 1 July 2022, we agreed to pay each of our employees below our senior leadership team (in total around 95% of our employees) a salary supplement of £1,000 in equal amounts over a period of six months to 31 December 2022. In December 2022 we will reassess the position and take any further steps that are deemed appropriate at that time.

FY23 Salary

Having regard to the changes implemented for employees as set out above, and to the benchmarking data provided by PwC, the Committee decided to increase the Executive Directors' salaries by 3%, which is lower than the 5% increase awarded to the wider workforce. The Committee believes that this increase is justified given our strong financial performance in FY22, the ongoing competitive landscape we face across the sector, and to ensure alignment between the

Executive Directors and the wider workforce. The Committee further believes that this level of increase is appropriate given the current economic circumstances in which we are operating. Executive Directors are also benchmarked against other FTSE 100 companies and UK housebuilders and remain in line with them.

Pensions

With effect from 1 January 2023 the cash supplements for David Thomas and Steven Boyes will be reduced from 25% of base salary to a level equivalent to the wider workforce (currently 10% of base salary), in line with the guidance from the IA. Mike Scott's cash supplement was set at 10% of base salary from the date of his appointment.

FY23 Annual Bonus

The performance measures for the FY23 annual bonus scheme are set out on page 113 together with the rationale for selecting them. The key change is implementation of a further stretch to the Quality and Service metric, to reinforce our commitment to achieving high levels of customer satisfaction long after our customers have moved into their new homes. With effect from 1 July 2023 our divisions will need to meet targets relating to the NHBC's 9-month National New Homes Customer Satisfaction Survey as well as the existing requirement to achieve five-star status under the HBF's 8-week Customer Satisfaction Survey. In addition, we will be re-basing the waste target to FY22 levels, to ensure that the target remains challenging and stretching whilst driving continuous improvement in this key area of our sustainability strategy. The Committee is of the view that the actual targets for the annual bonus are commercially sensitive and will therefore disclose these in line with market practice, with performance against them, in the FY23 Remuneration report.

2022 LTPP

The 2022 LTPP will be awarded to all eligible participants, including the Executive Directors, as usual in October. Under our Remuneration Policy, the Committee can make awards of up to 200% of salary to Executive Directors. The Committee is however mindful of the view of shareholders and proxy voting agencies that Remuneration Committees should seek to reduce the number of shares granted, where the company's share price has fallen substantially since the last grant, to avoid potential windfall gains for Executive Directors. The Company's current share price is c. 40% lower than it was in October 2021, when

we last made a grant under the LTPP. Accordingly, the Committee has agreed that it will consider reducing the level of the 2022 LTPP award to reflect any fall in the share price. The level of any reduction will be determined closer to the grant date when the difference in the share price since October 2021 is apparent. Should the share price improve to a similar level as that in October 2021 no reduction will be made. The Committee continues to believe that TSR, EPS, Underlying ROCE and GHG emissions reduction remain the most appropriate measures to align the Group's performance with strategy and the interests of stakeholders. Details of the specific targets for each measure are disclosed on page 114 of this report and the strategic KPIs for each can be found on pages 5 to 7.

New Chief Financial Officer

Following our announcement on 29 June 2021, Mike Scott, joined us as our new Chief Financial Officer on 6 December 2021. The remuneration package agreed for Mike was in accordance with our Policy, and was set out on pages 100 to 102 of last year's annual report. As permitted for new joiners under our Policy, the Committee agreed to replace awards that Mike lost on resigning from his previous position, at a value no greater than the value of the awards that lapsed. These replacement awards were granted to Mike in February 2022 and details are set out on page 120.

Shareholder engagement

I wrote to our 20 largest institutional investors and proxy voting agencies in July 2022 to gain feedback on the above proposals and outcomes.

We received feedback from shareholders representing 39% of our issued share capital. The key topic of discussion was, as expected, the Committee's rationale for the outcome of the 2022 annual bonus and the potential vesting level for the 2019 LTPP. All were very supportive of the FY22 outcomes and the FY23 proposals, including the discretion applied by the Committee. Following this engagement they understood our rationale in coming to our conclusions. We also engaged with two of the proxy agencies (Glass Lewis and ISS) at their request to help their understanding of our proposals, with feedback being generally positive from ISS and both emphasising the importance of full disclosure of the Committee's position in this year's Remuneration report.

Employees and remuneration

Our 2021 Gender Pay Gap report, published in November last year, showed the pay gap was broadly the same year on year, with a

reduction in the bonus gap given there was no bonus paid for FY20. Further details are given on page 32.

The Committee has had initial discussions in respect of the 2022 Gender Pay Gap report, and also the potential to voluntarily publish an ethnicity pay gap report. We expect to publish this year's Gender Pay Gap Report, along with our first Ethnicity Pay Gap Report by early 2023.

We continue to seek the views of our Workforce Forum on our approach to pay for employees and Executive Directors during the year. Further details on the Workforce Forum and the matters it has discussed during the year can be found on page 42. We continue to make an annual award of Barratt shares to employees below Senior Management to recognise their dedication, commitment and loyalty. Further details can be found on page 31. During the year, the business has reviewed and enhanced the package of benefits available to employees, and details can be found on page 31.

Reporting

Our Remuneration report for the year ended 30 June 2022 comprises three parts: this Annual Statement, information about our Remuneration Policy, and the Annual report on remuneration. Our full Remuneration Policy can be found in our 2020 Annual Report on our website at www.barrattdevelopments.co.uk/investors. Details of how we have applied the relevant requirements of the Code can be found throughout this Remuneration report.

Conclusion

Throughout the year, the Remuneration Policy operated as intended in terms of Company performance and quantum.

The Committee believes that the decisions it has taken in respect of FY22 pay outcomes and our proposed approach to remuneration for FY23 are in the best interests of our shareholders, align with our strategy, reflect the wider business and economic environment and are fair, reasonable and appropriate. We therefore hope that you will support the Annual report on remuneration, which will be proposed at the AGM in October 2022. On behalf of the Committee and the Board, I would like to thank you for your continued support of our remuneration framework.

Katie Bickerstaffe

Chair of the Remuneration Committee

6 September 2022

Our remuneration strategy

It is the motivation and engagement of our employees which makes our business operationally and financially strong. It is therefore imperative that our remuneration strategy appropriately rewards our employees for their performance against the Group's key performance indicators, whilst delivering sustainable shareholder value. Our Remuneration Policy therefore aims to:

- promote the long-term sustainable success of the Company and be fully aligned with the performance and strategic objectives of the Group to enhance shareholder value;
- attract, retain, motivate and competitively reward Executive Directors and Senior Management with the requisite experience, skills and ability to support the achievement of the Group's key strategic objectives in any financial year;
- take account of pay and employment conditions of employees across the Group whilst reflecting the interests and expectations of shareholders and other stakeholders;
- reward the delivery of profit and the continued improvement of return on capital employed by the business, whilst ensuring that Executive Directors and Senior Management adopt a level of risk which is in line with the risk profile of the business as approved by the Board;
- ensure that there is no reward for failure and that termination payments (if any) are limited to those that the Executive Director (or member of Senior Management) is legally entitled to; and
- ensure that in exercising its discretion, the Committee robustly applies the aims above.

In developing its Remuneration Policy, the Committee has regard to:

- the Group's purpose and strategic priorities, and ensuring that targets support the achievement of strategic priorities;
- the performance, roles and responsibilities of each Executive Director and members of Senior Management;
- arrangements that apply across the wider workforce, including average base salary increases and pension contributions;

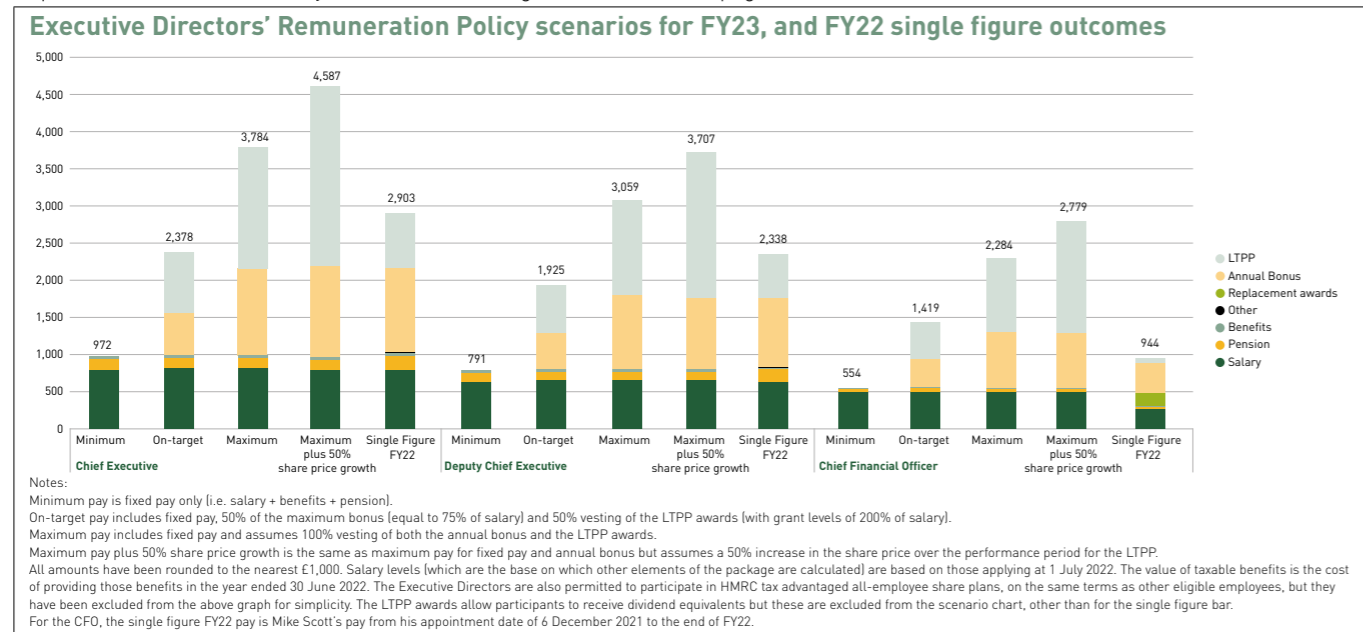
- information and surveys from internal and independent sources; and
- the economic environment and underlying financial performance of the Group.

Remuneration report CONTINUED

Overview for FY22

Overview for FY22

The summary below outlines the remuneration outcomes for Executive Directors for FY22, together with the minimum, on-target and maximum (with and without share price growth) opportunities, targets set for variable remuneration and our performance against them. Full details can be found in the Annual report on remuneration on pages 111 to 124. Details of Executive Directors' shareholding requirements and whether they have been met are given in Table 17 on page 121.



FY22 performance pay outcomes

Annual bonus outcome

Further details are set out on pages 116 and 117 in the Annual report on remuneration.

| Target | Threshold | Target | Maximum | Weighting | Outcome achieved |
|---|---|-------------------------------------|--------------|-----------|------------------|
| Profit before tax and adjusted items | £889m | £919m Actual £1,055m | £949m | 82.5% | 82.5% |
| Capital employed | £1,693m | £1,693m Actual £1,491m | £1,653 | 15% | 15% |
| Quality and service (with health and safety underpin) | Number of divisions out of 27 to achieve SHE audit rating of 94% or above and 90% customer service target | | | 22.5% | 20% |
| Reduction of total waste generated (waste intensity) | 6.20 | 6.14 Actual 4.97 | 6.07 | 15% | 15% |
| Trading outlet openings | 102 openings | 106 openings Actual 118 openings | 110 openings | 15% | 15% |

LTPP vesting outcome

Further details, including the share price used to calculate the estimated value, any value of share price increases and the value of dividend equivalents, are set out in Table 12 on page 118 of the Annual report on remuneration.

| | Shares awarded | | Percentage of award vesting | | | Shares vesting | | Estimated value £000 |
|--------------|----------------|-------|-----------------------------|-----|-------|----------------|-----|-------------------------|
| | Number | EPS | ROCE | TSR | Total | Number | | |
| David Thomas | 238,024 | 96.5% | 100.0% | 0% | 59.3% | 141,148 | 743 | |
| Steven Boyes | 188,376 | 96.5% | 100.0% | 0% | 59.3% | 111,706 | 588 | |
| Mike Scott | 22,560 | 96.5% | 100.0% | 0% | 59.3% | 13,378 | 68 | |

Alignment of FY22 incentive performance measures with strategy

| Strategic priorities | | | |
|---|---|--|--|
| Customer first | Great places | Leading construction | Investing in our people |
| Anticipate our customers' evolving needs by continuously improving the homes and places we build. | Secure good value land and planning consents where people aspire to live. | Deliver highest quality homes, focus on excellence, embrace MMC. | Attract and retain the best people, invest in their development. |
| How our incentive structures are aligned to delivering the strategic priorities | | | |
| Annual bonus | ✓ Customer service ✓ Sustainability | ✓ PBT ✓ Capital Employed ✓ Trading outlets ✓ Sustainability | ✓ PBT ✓ Capital Employed ✓ Customer service ✓ Sustainability |
| LTPP | ✓ Sustainability | ✓ ROCE ✓ Sustainability | ✓ ROCE ✓ EPS ✓ TSR ✓ Sustainability ✓ EPS ✓ Sustainability |

Remuneration report CONTINUED

Directors' Remuneration Policy

Directors' Remuneration Policy

The Company's current Directors' Remuneration Policy (the 'Policy'), was approved by shareholders at the 2020 AGM on 14 October 2020. The full version of the current Policy can be found on pages 127 to 130 of the 2020 Annual Report and Accounts, which is available on our website at www.barrattdevelopments.co.uk/investors. Details of how the Policy will be applied for FY23 are set out on pages 112 to 115 and a description of how the Company implemented the Policy in FY22 can be found on pages 115 to 120.

How the Committee has addressed the requirements of the Code in determining Directors' Remuneration Policy and practices

| Code requirement | How the Committee has addressed the requirements of the Code in determining Directors' Remuneration Policy and practices |
|--|--|
| Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce. | Variable remuneration for any year is set out clearly in the prior year's Annual Report, together with performance targets (unless they are deemed to be commercially sensitive). Outcomes are aligned with strategic objectives through the use of appropriate performance targets, which align them with shareholder interests and the Group's strategy and provides for the long term success of the Company, which is in the interest of the workforce and other stakeholders. |
| Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand. | The Company operates a UK market standard approach to remuneration which is familiar to stakeholders. Performance targets are readily understandable and published as part of the year end results. |
| Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated. | The Committee has discretion to ensure that variable pay outcomes are in line with Company and individual performance. Share awards are subject to post vesting holding periods, and malus and clawback are applicable to both LTPP and the annual bonus (including deferred shares) for up to two years after payment or vesting in cases where the outcome is subsequently deemed inappropriate. |
| Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy. | Minimum, on-target and maximum outcomes for Directors are shown annually in this report (see page 108). Limits and discretions for each type of reward are explained in the policy table which can be found on pages 127 to 130 of the 2020 Annual Report and Accounts, which is available on our website at www.barrattdevelopments.co.uk/investors . |
| Proportionality – the link between individual awards, the delivery of strategy and the long term performance of the company should be clear. Outcomes should not reward poor performance. | The Company's incentive plans reward the successful implementation of strategy through the alignment of performance targets with strategic KPIs. The performance underpin which applies to both the annual bonus and LTPP outcomes ensures that poor performance is not rewarded. The Committee also has discretion to override formulaic outcomes. |
| Alignment with culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy. | Our remuneration strategy ensures that performance targets do not encourage inappropriate behaviours. The targets that are selected help align the interests of the workforce with those of the Company's purpose and strategy as illustrated on page 108. |

Change of Control

The rules of each share scheme operated by the Company contain provisions relating to a change of control. In the event that a change of control does occur any unvested options or awards will become vested on the date of the relevant event. However, the number of options or awards that vest will be prorated depending on the number of weeks completed within the relevant performance period and the level of performance conditions achieved during that period. The Committee has discretion to assess the performance outcome in respect of unvested awards and determine the extent to which unvested awards may vest. Options or awards which have already vested as at the date of the relevant event may still be exercised within the prescribed time scales set out in the rules.

The mechanism applies in certain circumstances set out in the rules of the relevant plans, including material misstatement in the Group's accounts, error, misconduct, material failure of risk management, reputational damage and corporate failure. Full details of the circumstances under which malus and clawback apply can be found in the full Remuneration Policy set out in the FY20 Annual report and accounts on the Company's website.

Differences between Executive Directors' and employees' remuneration

The following differences exist between the Company's Policy for the remuneration of Executive Directors and its approach to the payment of employees generally:

- Executive Directors and some members of Senior Management may earn an annual bonus in excess of 100% of salary. Any bonus earned in excess of 100% of base salary is deferred into shares for a period of three years;
- Executive Directors and some members of Senior Management may opt to receive a cash supplement in lieu of pension. The maximum cash supplement or employer's contribution rate for Executive Directors appointed before 2020 does not exceed 25% of base salary. With effect from 1 January 2023, the pension contribution (or cash supplement) for all Executive Directors will be at the maximum rate of employer's contribution for the wider workforce, currently 10%. Any new Executive Directors appointed on or after 1 July 2020 receive a maximum contribution in line with the average pension contribution available to the wider workforce, currently 10%;
- a lower level of maximum annual bonus opportunity may apply to employees other than the Executive Directors. All employees, including Executive Directors, are subject to similar performance targets; however, the weightings against the various targets may vary;

Remuneration report CONTINUED

Directors' Remuneration Policy

- Executive Directors are able to participate in the LTPP. A number of select employees at Senior Management level may also be invited to participate in the LTPP at the Committee's discretion; and
- in July 2022, and over the previous four financial years, employees below Senior Management have been awarded a smaller number of shares under an employee long term incentive plan. This award was not available to Executive Directors.

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

Statement of consideration of pay and employment conditions elsewhere across the Group

The level for all employees' salaries is determined with reference to the rate of inflation, salaries for similar positions throughout the industry and general themes and trends in respect of remunerating employees. When reviewing Executive Directors' remuneration, including increase in base salary, the Committee takes into consideration the pay and employment conditions of all employees across the Group. Specific details of how all employee pay has been taken into consideration is set out in the Chair's statement on page 106, and in the sections on base pay increases

on page 112 and bonus outcomes on page 116. During the year, the Workforce Forum discussed remuneration strategy, including executive reward strategy, and provided feedback to management.

The Company also operates a Sharesave scheme and makes conditional awards of shares to all employees. This enables all employees to become shareholders in the Company, and to comment on the Group's Policy in the same way as all of our other shareholders. In addition, the Group provides a number of ways in which employees can ask questions and give feedback on such matters should they so wish. This includes the Employee Communications mailbox, personal development reviews, the Workforce Forum, a dedicated Workforce Forum email address and an email address for employees to directly contact the designated Non-Executive Director for workforce engagement. Details of engagement with the workforce, including on executive remuneration, and examples of feedback given are provided in the Stakeholder engagement section of the Strategic Report on pages 42 and 43.

Statement of consideration of shareholder views

In line with the IA's Guidelines on Responsible Investment Disclosure, the Committee is satisfied that the incentive structure and targets for Executive Directors do not raise any ESG risks by inadvertently motivating irresponsible or reckless behaviour, or encouraging inappropriate risk-taking.

Each year we update our major shareholders on the Committee's application of the Policy and our performance in advance of the publication of our Annual Report and Accounts. The Committee takes into account shareholder feedback received as part of the Company's annual review of the Policy. Details of engagement with shareholders during the year are given in the Chair's statement on page 107, and in the Stakeholder engagement section on pages 44 and 45. In addition, the Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be proposed to the Policy. Details of the votes cast for and against the resolution to approve last year's Remuneration report can be found in Table 24 on page 124.

Service contracts and letters of appointment

The letters of appointment for Non-Executive Directors and service contracts for Executive Directors are available for inspection by any person at the Company's registered office during normal office hours or are available on the Company's website: www.barrattdevelopments.co.uk/investors.

The Executive Directors have service contracts with the Company all with a rolling 12-month notice period and are not fixed term. Details are included in Table 1 below and their remuneration for FY22 is shown in Table 7 on page 115.

Table 1 – Executive Directors' service contracts

| Executive Director | Service contract date | Date of appointment | Notice period/Unexpired term |
|--------------------|-----------------------|---------------------|------------------------------|
| David Thomas | 16 January 2013 | 21 July 2009 | 12 months |
| Steven Boyes | 21 February 2013 | 1 July 2001 | 12 months |
| Mike Scott | 28 June 2021 | 6 December 2021 | 12 months |

The Chairman and each of the Non-Executive Directors are appointed for an initial three-year term under terms set out in a letter of appointment. Their appointments can be terminated by the Board without compensation for loss of office subject to the notice periods in their respective letters of appointment. The notice periods, applicable from either party, are three months for the Chairman and one month for each of the Non-Executive Directors. The Chairman and each of the Non-Executive Directors usually serve a second three-year term subject to performance review and can serve a further term of three years subject to rigorous review by the Chair and the Nomination Committee. Details of Non-Executive Directors' letters of appointment are given in Table 2 below.

Table 2 – Non-Executive Directors' letters of appointment

| Non-Executive Director | Date elected/ re-elected at AGM | Date first appointed to the Board | Date last re-appointed to the Board | Unexpired term |
|------------------------|------------------------------------|--------------------------------------|--|----------------------|
| John Allan | 13 October 2021 | 1 August 2014 | 1 August 2020 | 13 months |
| Katie Bickerstaffe | 13 October 2021 | 1 March 2021 | N/A | 20 months |
| Nina Bibby | 13 October 2021 | 3 December 2012 | 3 December 2018 | expired ¹ |
| Jock Lennox | 13 October 2021 | 1 July 2016 | 1 July 2022 | 36 months |
| Chris Weston | 13 October 2021 | 1 March 2021 | N/A | 20 months |
| Sharon White | 13 October 2021 | 1 January 2018 | 1 January 2021 | 18 months |

¹ Nina Bibby completed nine years' of service on the Board in December 2021. Nina will not be standing for re-election at the forthcoming AGM.

Remuneration report CONTINUED

Annual report on remuneration

Annual report on remuneration

In this section, we provide an overview of the Committee and its advisers, as well as how the Policy will be applied in FY23 and how it has been implemented throughout FY22, together with the resulting payments to Directors. The Annual Report on Remuneration will be subject to an advisory vote at the 2022 AGM.

Membership and attendance at Remuneration Committee meetings

Membership of the Committee comprises all of the Non-Executive Directors, and attendance at each of its scheduled meetings during the year is set out on page 77. The Committee is chaired by Katie Bickerstaffe. The Executive Directors are not members of the Committee and no-one is present at the Committee's meetings when their own remuneration is being considered.

Advisers to the Remuneration Committee

In carrying out its principal responsibilities, the Committee has the authority to obtain the advice of external independent remuneration consultants and is solely responsible for their appointment,

retention and termination. In line with best practice, the Committee assesses annually whether the appointment remains appropriate or if it should be put out to tender. The last such tender took place in 2017, resulting in PwC being appointed as the advisers to the Committee with effect from 1 January 2018. PwC is a signatory to the Remuneration Consultants Group's Code of Conduct. As part of the annual review and re-appointment process, the Committee satisfied itself that PwC remained objective and independent during the year.

In addition to remuneration advice, PwC also provides taxation, consultancy, corporate finance and internal audit services to the Group. PwC has also been appointed as the independent adviser to the Sustainability Committee. PwC has no current connections with individual Directors.

During the year, the Committee has taken advice from PwC on best practice in executive remuneration and benchmarking. The Chair of the Committee also sought advice from PwC, independent of management, on various matters to be discussed at Committee meetings in particular the treatment of adjusted items on bonus and LTPP

outcomes. The fees payable to PwC are based on an annual fixed fee for a specified service with anything outside this scope being charged on a time and disbursement basis. PwC's fees for services provided to the Committee during the year under review were £130,200 (FY21: £121,000).

The Committee also receives input into its decision making from the Chief Executive, the Company Secretary, and the Group HR Director, none of whom were present at any time when their own remuneration was being considered.

Main activities undertaken during the financial year

The Committee's role is to determine and agree the Policy for Executive Directors and Senior Management whilst taking into account the remuneration of the wider workforce. It follows an annual work programme which was fully completed during the year. The Committee's responsibilities, as delegated by the Board, are formally set out in its written Terms of Reference, which are available from our website at www.barrattdevelopments.co.uk/investors/corporate-governance. Details of the annual evaluation of the Committee's performance can be found on page 89.

Priorities

Executive Directors' remuneration

Work carried out and outcomes

With assistance from its remuneration consultants, the Committee considered the Policy as approved by Shareholders at the 2020 AGM, and confirmed that it remains fit for purpose and in line with best practice.

Considered salaries of Executive Directors and Senior Management for FY23 in the context of employees' pay. The outcome of this review is set out on page 106.

Considered the impact of adjusted items on the FY22 annual bonus and the 2019 LTPP vesting, see pages 105 and 106 for the decision made.

Considered the structure of the bonus scheme for FY23 and updated the Quality and Service and Waste reduction definitions (see page 113 for further details).

Discussed future performance targets for both the annual bonus and LTPP plans and agreed in principle to introducing an additional ESG target for FY24. Further work will be carried out during FY23 to identify a suitable target.

Reviewed mechanisms for enforcement of post cessation shareholding policy and determined that these should be incorporated into Executive Directors' contracts when they are next reviewed in line with consideration of the Remuneration Policy.

Considered whether the Group's current remuneration structures remained appropriate and support the future strategy of the business, including the possible introduction of a restricted share plan. This was not considered appropriate for Executive Directors at this time.

Governance

Discussed the level of assurance to be gained on the integrity and accuracy of information used to determine the performance targets, and requested the Audit Committee to review this information.

Undertook a detailed consideration of the gender pay and bonus gap, including the underlying data, trend analysis and benchmarking against peers. Recommended that the full Board should undertake a review and determine what further work can be done in this area.

With the assistance of the Group's legal advisors, undertook a review of Executive Directors' service contracts and confirmed that they remain fit for purpose, but that going forward they should be reviewed every three years in line with the updating of the Remuneration Policy.

Remuneration report CONTINUED

Annual report on remuneration

Statement of implementation of the Remuneration Policy for FY23

Executive Directors' remuneration for FY23 will be based on the Policy approved by shareholders at the October 2020 AGM.

Base salary

The Committee reviewed the salaries of the Executive Directors in June 2022, taking into account their individual performance during the year, the annual salary review for other employees in the Group with increases at 5% (which took effect from April 2022 in light of the cost of living crisis), and the multiplier effect of an increase in base salary on the Directors' package as a whole. The Committee also took into account the performance of the Company and ensured that after any increase the salaries would remain within the range for similar sized companies and the housebuilding sector. Accordingly, the Committee believed that it was justified in awarding a salary increase of 3% for each of the Executive Directors. The Executive Directors' salaries with effect from 1 July 2022 will therefore be:

Table 3 – Executive Directors' salaries

| Executive Director | Salary with effect from 1 July 2022 £000 | Salary with effect from 1 July 2021 ¹ £000 |
|--------------------|---|--|
| David Thomas | 803 | 780 |
| Steven Boyes | 648 | 629 |
| Mike Scott | 494 | 480 |

¹ For Mike Scott, this was his annual salary on his appointment on 6 December 2021.

Pension

David Thomas and Steven Boyes will both continue to receive a cash supplement of 25% of salary until 1 January 2023, after which their pension contributions (or cash supplement) will be reduced to a level equivalent to the workforce, currently 10% of base salary. Mike Scott, will continue to receive a pension contribution (or cash supplement) of 10% of base salary in line with the wider workforce.

Annual bonus

Executive Directors and Senior Management will participate in the Group's annual bonus scheme in accordance with the Policy.

The Committee has agreed that for FY23, a longer term component will be added to the quality and service performance measure. The business measures customer satisfaction using surveys at both eight weeks and nine months following completion of a home purchase. Whereas previously the eight week survey results (using HBF's National New Homes Customer Satisfaction Survey) have been used for the quality and service performance measure, for FY23 onwards, an additional target has been set relating to the NHBC's 9 month National New Home survey result. The overall weighting of the quality and service measure will remain the same.

The Committee is of the view that the individual annual bonus performance targets are commercially sensitive. Therefore, in line with market practice, these will be disclosed, with performance against them, in next year's Remuneration report.

The performance measures, their reasons for selection and the maximum bonus payment against each of them expressed as a percentage of salary for FY23 will be:

Table 4 – FY23 annual bonus performance measures

| Financial Performance measures | Definition | Reason for selecting | Weighting (% of salary maximum) |
|---|---|---|---------------------------------|
| Adjusted profit before tax | Profit after all finance costs/income and the Group's share of the profits from its joint ventures, excluding adjusted items. | Rewards outperformance against stretching targets and is a key measure of our performance. | 82.5 |
| Capital employed | Average net assets calculated by a three point average excluding goodwill and intangibles, tax, net cash/(debt), retirement benefit assets/obligations, derivative financial instruments, land, land creditors, trade payables and legacy property provisions associated with the Building Safety Pledge. | Ensures efficient use of available capital. | 15.0 |
| Non-financial performance measures | | | |
| Quality and service (with a health & safety underpin) | To qualify for bonus each division must achieve or exceed the SHE audit gate and then achieve or exceed their customer service target for both the 8 week HBF National New Homes Customer Satisfaction survey and the 9 month NHBC National New Homes survey. | Ensures a focus on quality and service to our customers without compromising the health and safety of our employees, customers, suppliers, sub-contractors and members of the public. | 22.5 |
| Trading outlets | Opening an outlet is defined as an outlet which during the year has been opened or extended by positive management action (e.g. re-planning, or site reallocation to better distribute the land bank to drive sales and ROCE), and that had one or more plots for sale at any given point in time. | Focus individuals on opening outlets in order to meet medium term volume targets whilst aligning their interests with those of shareholders. | 15.0 |
| Reduction of waste | Reduction of site waste (tonnes of waste for every 100m ² of legally completed build area). | Focus individuals on reducing the amount of construction waste intensity, which is a key element of our overall carbon reduction and sustainability strategy. | 15.0 |
| Total bonus achievable as a % of salary | | | 150.0¹ |

¹ Any bonus earned in aggregate in excess of 100% of salary will be deferred into shares and held in the DBP. Dividend equivalents will accrue against any shares deferred into the DBP.

The Committee will continue to have an overriding discretion in respect of any bonus payment in accordance with its Policy. In addition, any bonus awarded for FY23 will be subject to the malus and clawback provisions summarised on page 109 and set out in detail on page 132 of the FY20 Annual Report and Accounts of the Company's website at www.barrattddevelopments.co.uk.

Remuneration report CONTINUED

Annual report on remuneration

LTPP

The Committee intends to grant an LTPP award to Executive Directors in October 2022 (2022 LTPP). Under the Remuneration Policy, the award can be up to 200% of base salary. Historically, the Committee has always been minded to award at this level. However, given that the current share price is considerably lower than it was in October 2021, when the last LTPP grant was made, the Committee has informed management that it will consider reducing the level of the 2022 LTPP award to avoid any windfall gains by Executive Directors. The level of reduction will be determined closer to the grant date. If the share price improves to a similar level as that at October 2021, no reduction will be made. The Committee is cognisant that the 2022 LTPP award should be subject to performance targets which are stretching and challenging whilst aligned with the short and long term performance of the Group and its strategy, as well as the interests of shareholders. The Committee has agreed that the independent performance conditions for the 2022 LTPP will continue to be: TSR, EPS, Underlying ROCE and GHG emissions reduction.

Table 5 – 2022 LTPP performance measures

| Performance condition and definition | Reason selected | Weighting (of total award) | Below threshold (0% vesting) | Threshold (25% vesting) | Maximum (100% vesting) |
|--|---|----------------------------|------------------------------|-----------------------------|-----------------------------|
| TSR against the FTSE: the Company's TSR over the Performance Period must be at least at the median of a ranking of the Total Shareholder Return of each of the members ranking 50 above and 50 below the Company in the FTSE Index at the start of the Performance Period (1 July 2022 to 30 June 2025) based on market capitalisation as at the day before the start of the Performance Period. | To ensure that the comparator group remains current and relevant whilst factoring in the continued movement in the Company's market capitalisation. | 15% | N/A | Median | Upper quartile |
| TSR against a housebuilder index¹: the Company's TSR over the Performance Period must be at least the Index average of the Housebuilder Index over the same period. | To ensure rewards are linked to outperformance of our peers. | 15% | N/A | Index average of peer group | Index average +8% per annum |
| Adjusted EPS for FY25²: Calculated by dividing the adjusted profit after tax for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during FY25, excluding those held by the Employee Benefit Trust which are treated as cancelled. | To ensure efficient and effective management of our business and align interests with those of shareholders. | 15% | N/A | 73p | 81p |
| Underlying ROCE for FY25: Calculated as earnings before amortisation, interest, tax, operating charges relating to the defined benefit pension scheme and adjusted items, divided by average net assets adjusted for goodwill, intangibles and land payables, tax, cash, loans and borrowings, retirement benefit assets/obligations, derivative financial instruments and legacy property provisions associated with the Building Safety Pledge. | To ensure efficient and effective management of our business and align interests with those of shareholders. | 40% | N/A | 20% | 23% |
| GHG emissions reduction³: Reduction of our absolute Scope 1 and 2 (operational) GHG emissions by 29% by 2025 (from 2018 levels) and to net zero by 2040. | To ensure focus on reducing GHG emissions. | 15% | 25% reduction | 30% reduction | 35% reduction |

¹ The housebuilder index will comprise: Bellway, Berkeley Homes, Crest Nicholson, Persimmon, Redrow, Taylor Wimpey and Vistry Group. Countryside has this year been excluded from this index given its strategic shift to the private rental sector and affordable tenures.

² The steep rise in tax rate over recent years, and the introduction of RPDT (which levies an additional 4% tax on the Group) impacts our reported profit after tax and results in adjusted basic EPS being lower in FY23 and FY24 than FY22, despite forecast profit before tax being higher in FY23 than FY22. The EPS target set takes this into account, and is therefore lower than in previous years.

³ Further information on Scope 1 and Scope 2 GHG emissions can be found in the Strategic report, pages 58 to 71.

For the TSR, EPS and Underlying ROCE performance targets, vesting will be on a straight-line basis between threshold and maximum. For the GHG performance target vesting will be on a straight line basis between 25% and 30% reduction, and on a straight line basis between 30% and 35% reduction. In addition, all LTPP awards are subject to a two-year post vesting holding period and an overriding Committee discretion, as set out in the Policy table on page 129 of the FY20 Annual Report and Accounts. The 2022 LTPP will also be subject to the malus and clawback provisions summarised on page 109 and set out in detail on page 132 of the FY20 Annual Report and Accounts. The FY20 Annual Report and Accounts can be found on the Company's website at www.barrattddevelopments.co.uk.

Non-Executive Directors' fees

During the year, a committee of the Board comprising the Company Chairman and the Executive Directors reviewed Non-Executive Directors' fees and concluded that an increase of 3% should apply to the Non-Executive Directors' base fee. The annual fee payable to the Chairman was reviewed by the Committee and it was agreed that it should be increased by 3%, in line with the annual salary review for the Executive Directors and below that of the wider workforce. The annual fees payable to the Chairman and Non-Executive Directors with effect from 1 July 2022 will therefore be:

Table 6 – Non-Executive Directors' fees

| Role | Fee as at 1 July 2022 £000 | Fee as at 1 July 2021 £000 |
|---|----------------------------|----------------------------|
| Chairman | 353 | 343 |
| Non-Executive Director base fee | 67 | 66 |
| Committee membership (per committee) | 3 | 3 |
| Chair of Audit Committee | 17 | 17 |
| Chair of Remuneration Committee | 17 | 17 |
| Chair of Safety, Health and Environmental Committee | 17 | 17 |
| Senior Independent Director | 17 | 17 |
| Designated NED for Workforce Engagement | 10 | 10 |

Directors' remuneration outcomes for the year ended 30 June 2022

Single figure of remuneration

The total remuneration for each of the Directors who served during the financial year ended 30 June 2022 is set out in Tables 7 and 8. The salary for all Directors is the amount received in the year.

Table 7 – Executive Directors' single figure of remuneration (audited)

| | Base Salary | | Benefits ² (taxable) | | Annual bonus ³ | | LTPP | | Sharesave | | Pension benefits | | Replacement Award ⁶ | | Total Remuneration | | Total fixed Remuneration | | Total variable Remuneration | |
|-------------------------|--------------|--------------|---------------------------------|-----------|---------------------------|--------------|----------------------|----------------------|----------------------|----------------------|------------------|------------|--------------------------------|----------|--------------------|--------------|--------------------------|--------------|-----------------------------|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 ⁴ | 2020/21 ⁵ | 2021/22 ⁴ | 2020/21 ⁵ | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 |
| David Thomas | 780 | 757 | 28 | 26 | 1,151 | 1,123 | 743 | 1,666 | 6 | - | 195 | 189 | - | - | 2,903 | 3,761 | 1,003 | 972 | 1,900 | 2,789 |
| Steven Boyes | 629 | 599 | 31 | 40 | 928 | 889 | 588 | 1,318 | 5 | 1 | 157 | 150 | - | - | 2,338 | 2,997 | 817 | 789 | 1,521 | 2,208 |
| Mike Scott ¹ | 277 | - | 9 | - | 402 | - | 68 | - | - | - | 28 | - | 160 | - | 944 | - | 314 | - | 630 | - |
| Total | 1,686 | 1,356 | 68 | 66 | 2,481 | 2,012 | 1,399 | 2,984 | 11 | 1 | 380 | 339 | 160 | - | 6,185 | 6,758 | 2,134 | 1,761 | 4,051 | 4,997 |

¹ Mike Scott was appointed a Director on 6 December 2021, and his remuneration therefore reflects only a partial year.

² Benefits (taxable) include the provision of a company car or car allowance, private medical insurance, some telephone costs and contributions towards obtaining independent financial and tax advice, and are provided based on market rates.

³ Annual bonus includes amounts deferred for David Thomas, Steven Boyes and Mike Scott (see Table 10 on page 117).

⁴ Performance conditions for the LTPP were tested after 30 June 2022. 59.3% of the award granted to each of the Executive Directors is due to vest in October 2022 (see Tables 11 and 12 on pages 117 and 118 for further details). The market price of the shares has been calculated based on an average market value over the three months to 30 June 2022 (£4.94 per share). None of the value of the award is attributable to share price growth.

⁵ In accordance with regulatory requirements, the values in this column have been re-calculated using a share price of £6.83 per share being the market value of the shares on the vesting date, 14 October 2021, as opposed to the market price of £7.55 per share calculated based on an average market value over the three months to 30 June 2021 disclosed in last year's Remuneration report.

⁶ The Sharesave shares granted in 2016 for David Thomas and 2018 for Steven Boyes, which matured on 1 July 2021, were subject to a continued employment condition and completion of a savings contract. There are no performance conditions for Sharesave shares. The value is calculated using the difference between the exercise price and the mid-market closing price of a share on the date of maturity. The relevant prices were £4.82 and £6.792 for David Thomas' options, and £4.49 and £7.112 for Steven Boyes' options.

⁷ The Sharesave shares granted in 2017, which matured on 1 July 2020, were subject to a continued employment condition and completion of a savings contract. There are no performance conditions for Sharesave shares. The value is calculated using the difference between the exercise price of £4.64 and a share price of £4.94 (the mid-market closing price of a share on the date of maturity).

⁸ Details of Mike Scott's Replacement Awards are shown on page 120. The value shown in the Replacement Award column relates to the Deferred Bonus shares vesting in December 2022. The value of the replacement LTPP awards vesting in October 2022 are included in the LTPP column.

Remuneration report CONTINUED

Annual report on remuneration

Table 8 – Non-Executive Directors' single figure of remuneration (audited)

| | Fees £000 | | Benefits (taxable) £000 | | Total £000 | |
|--------------------|--------------|-----------------|----------------------------|----------------------|---------------|---------|
| | 2021/22 | 2020/21 | 2021/22 ² | 2020/21 ³ | 2021/22 | 2020/21 |
| John Allan | 343 | 333 | 2 | 1 | 345 | 334 |
| Nina Bibby | 75 | 63 | – | – | 75 | 63 |
| Katie Bickerstaffe | 92 | 23 ¹ | – | – | 92 | 23 |
| Jock Lennox | 109 | 77 | – | – | 109 | 77 |
| Chris Weston | 92 | 22 ¹ | – | – | 92 | 22 |
| Sharon White | 85 | 64 | – | – | 85 | 64 |
| Total | 796 | 582 | 2 | 1 | 798 | 583 |

¹ Katie Bickerstaffe and Chris Weston were appointed to the Board with effect from 1 March 2021, and their fees for 2020/21 therefore reflect a partial year.

² Benefits (taxable) for 2021/22 include expenses incurred in attending the Company's main corporate office and are £1,648 for John Allan.

³ Benefits (taxable) for 2020/21 include expenses incurred in attending the Company's main corporate office and were £706 for John Allan.

Annual bonus

For FY22, the business was focused on returning volumes to pre-pandemic levels and creating a platform for future growth, with a strong emphasis on ensuring the safety of its workforce, customers and suppliers whilst maintaining high customer service levels. The bonus measures were set accordingly, with increased weighting given to the SHE measure. Financial targets were set taking into consideration internal and external consensus forecasts.

As in previous years, Executive Directors had the potential to earn an annual bonus of up to 150% of base salary based on the attainment of Group performance targets which are linked directly to the Group's strategy. Mike Scott's bonus potential was pro-rated to reflect the proportion of FY22 during which he was employed by the Company. Any bonus earned in excess of 100% of base salary is deferred into shares for a period of three years and is subject to a continued employment condition. The Group performance targets and performance against them for FY22 are set out in Table 9 below. As set out in the Chair's statement on page 105, the Committee has exercised discretion in respect of the FY22 annual bonus outcome and assessed the profit before tax element on a pre-adjusted items basis. The Committee considers the outcome reflects a fair, reasonable and appropriate level of reward, and the overall performance of the Group during FY22. It is also aligned to the bonus outcomes for the wider workforce below Senior Management.

Table 9 – Annual bonus (audited)

| Bonus target | Strategic objective | Targets | Potential bonus weighting % of salary | Actual performance achievement | Bonus achieved % of salary | Bonus outcome % of maximum |
|--|--|--|--|--------------------------------|-------------------------------|-------------------------------|
| Adjusted profit before tax | To support profitability | Threshold: £889m Target: £919m Maximum: £949m | 16.5% 41.25% 82.5% | £1,055m ¹ | 82.5% | 55.0% |
| Capital employed ² | To incentivise improvement of capital management | Above target Target: £1,693m Maximum: £1,653m | 3% 7.5% 15% | £1,491m | 15.0% | 10.0% |
| Quality and Service (with health and safety underpin) ³ | To ensure a focus on quality and service to our customers without compromising the health and safety of our employees and other stakeholders | Divisions to achieve SHE audit of 94% and 90% 'recommend' score for customer service | 22.5% | 24 /27 divisions | 20.0% | 13.3% |
| Construction Waste Reduction | To reduce construction waste intensity compared with FY21. (Measured in tonnes of waste for every 100m ² of legally completed build area) | Threshold: 6.20 tonnes Target: 6.14 tonnes Maximum: 6.07 tonnes | 3% 7.5% 15% | 4.97 tonnes | 15.0% | 10.0% |
| Trading outlets | To open the optimum number of trading outlets to ensure growth and delivery of our business plan | Threshold: 102 Target: 106 Maximum: 110 | 3% 7.5% 15% | 118 outlets | 15.0% | 10.0% |
| Total outcome | | | | | 147.5% | 98.3% |

¹ The profit before tax prior to discretion being exercised by the Committee would have been £642m. The bonus outcome had the Committee not exercised its discretion would have been 43.3% of maximum.

² See definition on page 200.

³ The quality and service measure is pro-rated based on the number of divisions achieving both targets.

Executive Directors' deferred bonus

Any bonus earned in excess of 100% of base salary will be deferred into shares for each of the Executive Directors as set out in Table 10 below. The number of shares that will be awarded will be calculated based on the average closing share price for the first five dealing days following the date on which the Group publishes its FY22 annual results, and will be announced via the Regulatory Information Service when the shares are awarded. Shares are held for three years from the date they are awarded, subject normally to continued employment.

Table 10 – Executive Directors' deferred bonus (audited)

| | FY22 deferred bonus | | | | FY21 deferred bonus | | | | |
|-------------------------|---------------------|----------------------|---------------------|----------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|-------------------------------|
| | Salary payable % | Annual bonus £000 | Salary in cash % | Bonus paid in cash £000 | Salary deferred in shares % | Bonus deferred in shares £000 | Salary deferred to shares % | Bonus deferred to shares £000 | Number of shares ¹ |
| David Thomas | 147.5 | 1,151 | 100 | 780 | 47.5 | 371 | 48.3 | 366 | 52,138 |
| Steven Boyes | 147.5 | 928 | 100 | 629 | 47.5 | 299 | 48.3 | 290 | 41,263 |
| Mike Scott ² | 83.7 | 402 | 83.7 | 402 | 0 | 0 | – | – | – |

¹ The number of conditional shares awarded during the year was calculated at a share price of £7.019, being the average of the mid-market closing prices of the shares for the first five dealing days following the date of the final FY21 results announcement for the Company.

² Mike Scott was appointed a Director of the Company on 6 December 2021. Mike's percentage bonus outcome was 147.5%. This was applied to his annual base salary for FY22 and pro-rated to the number of calendar days he was employed in the year, to give the percentages shown in the Table.

Long Term Performance Plans

Vesting of 2019 LTPP (included in FY22 single figure of remuneration)

The 2019 LTPP award granted on 24 October 2019 was based on a three year performance period to 30 June 2022. The award is subject to three performance conditions, 20% EPS, 40% ROCE and 40% TSR (half of which is measured against a 50+/50- comparator group and the other half against a housebuilder index). For the reasons stated in the Chair's statement on pages 105 and 106, the Committee has agreed to exercise discretion and has assessed the EPS target on a pre-adjusted items basis. The resulting vesting levels are as follows:

Table 11 – Vesting of 2019 LTPP (audited)

| Metric | Performance condition | Threshold (25% vesting) | Maximum (100% vesting) | Actual | Portion of award vesting |
|---------------------------------------|--|---|---|---|--------------------------|
| Adjusted EPS (20%) | EPS growth for the financial year ended 30 June 2022 | 76p | 85p | 84.6p ¹ | 19.3% |
| Underlying ROCE (40%) | To increase underlying ROCE for the financial year ended 30 June 2022 | 19% | 22% | 25.2% | 40.0% |
| TSR (FTSE) (20%) | TSR against the 50 companies above and below the Company in the FTSE index measured over three financial years with a three-month average at the start and end of the performance period | Median ranking of 45.5 (TSR of 5.7%) | Upper quartile ranking of 23.3 (TSR of 32.6%) | Rank of 61.8 (TSR of -4.9%) | 0% |
| TSR (Housebuilder) ² (20%) | TSR of at least the Index average of a housebuilder Index measured over three financial years with a three-month average at the start and end of the performance period. | Unweighted Index average (TSR of 18.1%) | Unweighted Index average + 8% p.a. (TSR of 44.1%) | Below unweighted index average (TSR of -4.9%) | 0% |
| Total level of award vesting | | | | | 59.3% |

¹ As a result of the discretion exercised by the Committee, the adjusted basic EPS (which excludes adjusted items) on which the vesting has been determined is 83.0 pence. As in previous years, this has been re-based using the same rate of corporation tax and number of shares as was used in setting the 2019 LTPP targets. The re-based adjusted basic EPS used for the purpose of determining vesting, which is directly comparable to the 2019 targets, is 84.6 pence. The equivalent figures prior to the discretion exercised by the Committee are a basic EPS of 50.6 pence, re-based using the same rate of corporation tax and number of shares as was used in setting the 2019 LTPP targets, giving a re-based basic EPS of 51.5 pence. The vesting outcome had discretion not been exercised would have been 40%.

² The housebuilder Index comprises: Bellway, Berkeley Homes, Countryside Partnerships, Crest Nicholson, Persimmon, Redrow, Taylor Wimpey and Vistry Group.

Remuneration report CONTINUED

Annual report on remuneration

The Committee considered the underlying financial performance of the Group and was satisfied that given the continued improvement in the Group's financial results, the level of vesting was justified. There was no share price appreciation, and no discretion was exercised in relation to the share price. The Committee believes that the vesting level achieved is fair, reasonable and appropriate. The 2019 LTPP has accrued dividend equivalents in accordance with the rules of the scheme. The amount of dividend equivalent to be paid, in cash, on vesting will be pro-rated in line with the number of shares that vest. The gross number of shares to be released to each of the Executive Directors and the value of the dividend equivalents are as follows:

Table 12 – 2019 LTPP vesting outcomes (audited)

| Executive Director | Number of shares at grant | Number of shares to lapse | Total number of shares to vest ¹ | Estimated value of vested shares ² (£000) | Value of dividend equivalents earned on vested shares ² (£000) | Total Estimated value ² (£000) |
|-------------------------|---------------------------|---------------------------|---|--|---|---|
| David Thomas | 238,024 | 96,876 | 141,148 | 697 | 46 | 743 |
| Steven Boyes | 188,376 | 76,670 | 111,706 | 552 | 36 | 588 |
| Mike Scott ³ | 22,560 | 9,182 | 13,378 | 66 | 2 | 68 |

¹ The relevant number of shares will be released to each participant as soon as is practicable following the vesting date. The awards are subject to a two-year post vesting holding period commencing 1 July 2022.

² The estimated values of the vested shares and the dividend equivalents are based on the average share price during the three months to 30 June 2022 (£4.94 per share). There was no share price appreciation from the date the shares were awarded.

³ The shares granted to Mike Scott were replacement awards, further details of which can be found on page 120.

LTPP granted during the year (2021 LTPP)

The following 2021 LTPP awards were granted to Executive Directors, and are subject to four performance conditions, 30% TSR (half of which is measured against a 50+/50- comparator group and the other half against a housebuilder index), 15% EPS, 40% ROCE and 15% reduction of GHG emissions. The levels of vesting against TSR and GHG emissions will be measured over a three-year period commencing 1 July 2021, and against EPS and ROCE for the financial year ending 30 June 2024. On completion of the performance period, assuming that shares vest, they will be subject to a further two-year holding period. No discretion was used by the Committee in determining the basis of the award granted, which is in line with previous years. The Committee will, however, consider the outcome at vesting to ensure no windfall gains have occurred as a result of changes in the share price between the grant and vesting.

Table 13 – 2021 LTPP (audited)

| Executive Director | Type of award | Basis of award granted | Share price at date of grant ¹ (£) | Number of shares over which award was granted | Face value of award (£000) | % of face value that would vest at threshold performance | Vesting determined by performance over |
|-------------------------|-------------------|-------------------------|---|---|----------------------------|--|--|
| David Thomas | Conditional award | 200% of salary £780,000 | 6.95 | 224,370 | 1,559 | 25 | Three financial years to 30 June 2024 |
| Steven Boyes | Conditional award | 200% of salary £629,186 | 6.95 | 180,987 | 1,258 | 25 | |
| Mike Scott ² | Conditional award | 200% of salary £480,000 | 6.95 | 117,716 | 818 | 25 | |

¹ Based on the average of the closing prices, as derived from the London Stock Exchange daily official list, for each of the dealing days in the period of three months ending on 13 October 2021, being the day before the date of the award to David Thomas and Steven Boyes.

² Mike Scott's award was made on 14 February 2022, after he was appointed, using the same share price as for the other Executive Directors. The number of shares awarded to Mike Scott was pro-rated to reflect the length of the performance period remaining from his date of appointment.

The targets applicable to the 2021 LTPP are as set out in Table 15.

Performance to date of 2020 and 2021 LTPP awards

The following tables show the targets set on grant for each of the current LTPP awards together with performance to date.

For the 2020 LTPP the potential level of vesting is based on performance measured over two years to 30 June 2022:

Table 14 – 2020 LTPP award performance against targets

| Performance target | Below threshold (0% vesting) | Threshold (25% vesting) | Maximum (100% vesting) | Performance as at 30 June 2022 | Level of vesting had the award vested as at 30 June 2022 |
|-------------------------------------|--------------------------------|--------------------------|----------------------------------|--------------------------------|--|
| TSR FTSE ¹ (20%) | Below median | Median | Upper quartile | Below median | 0% |
| TSR Housebuilder ² (20%) | Below unweighted index average | Unweighted index average | Unweighted index average +8% p.a | Below median | 0% |
| EPS (20%) | <76 pence | 76 pence | 88 pence | 51.5 pence | 0% |
| Underlying ROCE (40%) | <19.0% | 19.0% | 22.0% | 25.2% | 40% |
| Total level of award vesting | | | | | 40% |

For the 2021 LTPP the potential level of vesting is based on performance measured over one year to 30 June 2022:

Table 15 – 2021 LTPP award performance against targets

| Performance target | Below threshold (0% vesting) | Threshold (25% vesting) | Maximum (100% vesting) | Performance as at 30 June 2022 | Level of vesting had the award vested as at 30 June 2022 |
|-------------------------------------|--------------------------------|--------------------------|----------------------------------|--------------------------------|--|
| TSR FTSE ¹ (15%) | Below median | Median | Upper quartile | Below median | 0% |
| TSR Housebuilder ² (15%) | Below unweighted index average | Unweighted index average | Unweighted index average +8% p.a | Below median | 0% |
| EPS (15%) | <79 pence | 79 pence | 87 pence | 51.5 pence | 0% |
| Underlying ROCE (40%) | <19.0% | 19.0% | 22.0% | 25.2% | 40% |
| GHG emissions reduction (15%) | <20% reduction | 25% reduction | 30% reduction | 23.2% | 2.4% |
| Total level of award vesting | | | | | 42.4% |

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

² The housebuilder Index comprises: Bellway, Berkeley Homes, Countryside Partnerships, Crest Nicholson, Persimmon, Redrow, Taylor Wimpey and Vistry Group.

For the TSR, EPS and Underlying ROCE performance targets, vesting is on a straight line basis between threshold and maximum. For the GHG performance target, vesting is on a straight line basis between 20% and 25% reduction, and between 25% and 30% reduction. The LTPP awards will accrue dividend equivalents in accordance with the rules of the scheme. The amount of dividend equivalent to be paid, in cash, on vesting will be pro-rated according to the number of shares that vest.

The Committee has the discretion to adjust the number of shares vesting from each LTPP award if it considers that the vesting outcome is not sufficiently reflective of the underlying performance of the Company and to mitigate against any potential windfall gains for the Executive Directors.

Additional payments to Mike Scott following his recruitment

As set out in last year's Remuneration Report, the Committee granted Mike Scott conditional awards over Barratt shares on appointment, to compensate him for the value of the awards forfeited by him on leaving his previous employment to join the Group ('Replacement Awards'). In accordance with our Policy, the value of the Replacement Awards was no more than awards forfeited from his previous employer. The structure and timeframes of the Replacement Awards reflect the forfeited awards insofar as possible. The undertaking to make these Replacement Awards facilitated the recruitment of Mike as the Group's CFO, and was designed to achieve a balance acceptable to Mike, the Company and its shareholders.

The details of the Replacement Awards, which were made in February 2022, are given in Table 16 as follows:

- Deferred bonus award: to compensate Mike for the loss of deferred bonus shares which were due to vest on 12 December 2022 and have no performance conditions. The Deferred bonus award will vest on the same date, subject to Mike's continued employment; and
- LTPP awards: to compensate Mike for the loss of LTIP awards with his previous employer on the basis described in Table 16.

Remuneration report CONTINUED

Annual report on remuneration

Table 16 – Mike Scott replacement awards

| Award | Performance period | Vesting date | Replacement awards ¹ | Value of replacement awards | % of Salary (£480,000) |
|-----------------------|----------------------------|---------------|---------------------------------|-----------------------------|------------------------|
| Deferred bonus shares | – | December 2022 | 22,559 | £159,988 | 33% |
| LTPP ² | 1 July 2019 – 30 June 2022 | October 2022 | 22,560 | £159,996 | 33% |
| LTPP | 1 July 2020 – 30 June 2023 | October 2023 | 67,681 | £479,994 | 100% |
| LTPP total | LTPP total | | 90,241 | £639,990 | |

¹ The number of shares was set by reference to the share price on 22 June 2021, being £7.092, and is as set out in last year's Remuneration Report.

² The outcome of this award is disclosed in Tables 11 and 12 on pages 117 and 118.

The value of the replacement LTPP awards was set to reflect a forecast vesting outcome of awards forfeited, based on a robust testing process and will be further subject to the achievement of Barratt LTPP performance conditions. These awards were made on the same terms (including malus and clawback and post-vesting holding periods) and are subject to the same performance conditions as the awards made under the Company's LTPP in 2019 and 2020 to the incumbent Executive Directors, which can be found in Table 11 and Table 14.

The Replacement Awards are not pensionable or transferable. In accordance with the Policy, Mike will be required to retain all of the shares vesting from his Replacement Awards (net of tax and NI) in order to build towards his shareholding requirement.

Statement of Directors' shareholding and share interests

For the financial year ended 30 June 2022, Executive Directors were required to hold shares in the Company equivalent in value to 200% of salary. The Executive Directors are expected to meet this requirement no later than the fifth anniversary of joining the Board, with progress being made towards its achievement throughout the period. The share price used for the purposes of determining the value of

the shares is by reference to the higher of the share price paid on acquisition or vesting and the share price at the close of business of the London Stock Exchange on 30 June or the date of leaving, as applicable. Participants who have not built up the required level of shareholding by the fifth anniversary of joining the Board, will not be eligible for inclusion in future share-based incentive schemes. In addition, they will not be allowed to sell any of the net of tax shares released from incentive schemes until they reach the levels specified, unless exceptional circumstances exist in the opinion of the Committee. The Committee retains discretion to adjust the length of time in which the required amount of shareholding needs to be accrued in order to adjust for events out of the Director's control. The Committee reserves the right to amend the percentage holding required by the Executive Directors depending on market conditions and best practice guidance. At 30 June 2022, David Thomas and Steven Boyes had met their shareholding requirements and Mike Scott has until 6 December 2026 to meet his.

Executive Directors are also subject to a two-year post cessation shareholding requirement. They must hold the lower of their shareholding requirement (currently 200% of salary) or their actual shareholding on the date of leaving. The Committee has agreed that to ensure continued enforcement of the post-employment shareholding requirement, a contractual agreement will be entered into by the Company and the relevant Executive Director at the point of leaving employment, under which the individual concerned will agree not to dispose of the shares prior to the completion of the post cessation shareholding period.

The interests of the Directors serving during the financial year and their connected persons in the ordinary share capital of the Company at the beginning and end of the year are shown in Table 17.

No notification has been received of any change in the interests shown during the period 30 June 2022 to 6 September 2022 inclusive.

Table 17 – Directors' interests in shares as at 30 June 2022 (audited)

| | Other shares held | | Options | | Shareholding requirements | | |
|--------------------------------|--------------------|--|---|---|-----------------------------------|--|-------------------------------|
| | Beneficially owned | Interests subject to performance conditions (LTPP) | Interests not subject to performance conditions (DBP) | Interests in Sharesave options ¹ | Shareholding requirement % salary | Current shareholding % salary ³ | Shareholding requirement met? |
| Executive Directors | | | | | | | |
| David Thomas | 1,196,897 | 744,398 | 105,815 | 5,373 | 200% | 733% | Yes |
| Steven Boyes | 618,644 | 592,546 | 88,420 | 3,463 | 200% | 483% | Yes |
| Mike Scott | 11,961 | 207,957 | 22,559 | 4,128 ² | 200% | 39% | No |
| Non-Executive Directors | | | | | | | |
| John Allan | 82,235 | | | | | | |
| Katie Bickerstaffe | 6,308 | | | | | | |
| Nina Bibby | 8,500 | | | | | | |
| Jock Lennox | 10,000 | | | | | | |
| Chris Weston | – | | | | | | |
| Sharon White | 363 | | | | | | |

The Chairman and Non-Executive Directors are not awarded incentive shares and are not subject to a shareholding requirement.

¹ All of these options were unvested at 30 June 2022.

² During the year, Mike Scott was granted 4,128 Sharesave options, exercisable for six months from 1 July 2025 at an option price of £4.36, representing a 20% discount on the average share price for the five business days immediately before the invitation to participate in the award (£5.44). The number of shares granted was based on the option price and the total savings amount forecast at the end of the respective savings periods. The face value of the options based on the average share price above was £22,456. There are no performance targets associated with this Sharesave option.

³ The share price used for the purposes of determining the value of the shares is £4.57, being the mid-market closing price on 30 June 2022. The value of DBP shares used is net of income tax and national insurance contributions which the Directors would have to pay on exercise.

All conditional awards and share options are subject to an overriding Committee discretion, in that the Committee must be satisfied that the underlying financial performance of the Group over the performance period warrants the level of vesting as determined by applying the relevant targets. If the Committee is not of this view, it has the authority to reduce the level of vesting, including to nil, as it deems appropriate.

Executive Directors' pension arrangements

The Company's pension policy for Executive Directors is that on joining the Group they will be auto-enrolled unless they choose to opt out. On opting out, the Executive Director may choose to receive a cash supplement (which does not count for incentive purposes) and/or participate in the Company's defined contribution money purchase pension plan. Each Executive Director has opted to receive a cash supplement in lieu of pension. For FY22, David Thomas and Steven Boyes received an amount equal to 25% of base salary in line with market practice at the time of their appointment. Mike Scott received an amount equal to 10% of base salary in line with the Policy for all new Executive Directors at the dates of their appointment. Only the base salary element of a Director's remuneration is pensionable.

The cash supplement paid to David Thomas and Steven Boyes in lieu of pension will reduce to be in line with that of the wider workforce, which is currently at 10% of base salary, with effect from 1 January 2023.

Details of cash supplements paid to the Executive Directors during the year can be found in Table 7 on page 115.

Defined benefit section

Steven Boyes is a deferred member of the defined benefit section of the Barratt Group Pension and Life Assurance Scheme (the 'Scheme'), which was bought out by an insurer during FY21. As a result of the buyout, no employee (including Steven Boyes) has any current or prospective defined benefit pension or related benefit payable by the Group.

Payments to former Directors (audited)

Jessica White stepped down as a Director and Chief Financial Officer on 30 June 2021 and left the business on 31 July 2021. The Committee determined that, in line with the Policy and the rules of the relevant plans, Jessica would be treated as a good leaver.

As set out in last year's Remuneration report, Jessica received 121,556 shares under the 2018 LTPP. These shares vested on 14 October 2021. The awards were valued using a share price of £6.83 per share, being the market price of the shares on the vesting date. The value of the shares and dividend equivalents (paid in cash) was £830,227 and £98,944 respectively, such that the total value of the award on the vesting date was £929,171.

Jessica's 6,465 Sharesave shares granted in 2017 became eligible for early exercise to the extent Jessica had saved under the contract within six months of her date of leaving. There are no performance conditions for Sharesave shares. Jessica exercised options over 5,387 shares on 20 September 2021. The remainder of the shares lapsed. The value of the options was £11,420 using the difference between the exercise price of £4.64 and a share price of £6.76 (the mid-market closing price of a share on the date of exercise).

Remuneration report CONTINUED

Annual report on remuneration

Payments for loss of office (audited)

Jessica received her basic salary, pension allowance, car allowance, taxable benefits, and pay in lieu of untaken holiday entitlement, in accordance with her service agreement, up to and including 31 July 2021, shown in Table 18 below. As set out in last year's Remuneration report, the Committee determined that, in line with the Policy, Jessica would be treated as a good leaver and agreed the remuneration for the unexpired period of her notice, 1 August 2021 to 4 March 2022. These payments are also shown in the table below.

Table 18 – Jessica White – Payments for loss of office

| Period | Basic Salary £000 | Pension allowance £000 | Taxable benefits ¹ £000 | Pay in lieu of untaken holiday entitlement £000 |
|---|----------------------|------------------------------|--|---|
| July 2021 | 35 | 5 | 4 | 15 |
| Unexpired notice period (1 August 2021 to 4 March 2022) | 253 | 38 | 10 | - |

¹ Taxable benefits include provision of a company car or car allowance, private medical insurance, some telephone costs and contributions towards obtaining independent financial and tax advice, and are provided based on market rates. They also include £3,029 for gifts, including the tax payable on them, presented to Jessica by the Board on her departure in July 2021.

Chief Executive's relative pay

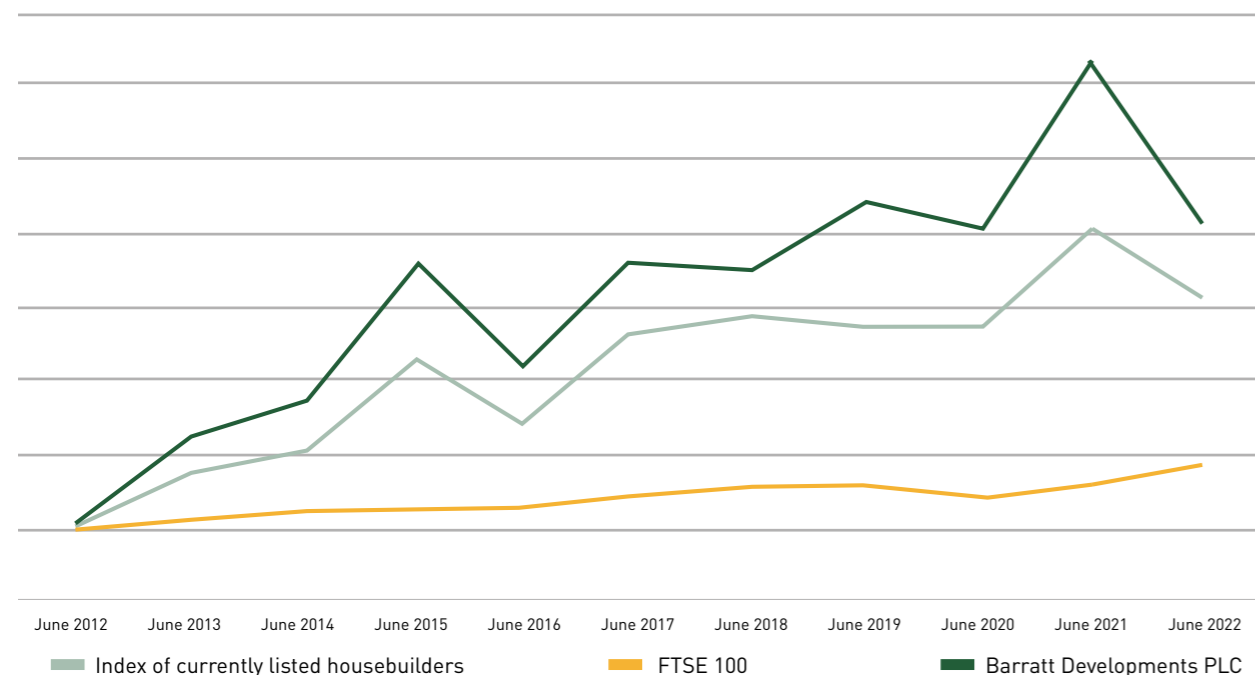
Table 19 sets out: (i) the total pay, calculated in line with the single figure methodology; (ii) the annual bonus payout as a percentage of maximum; and (iii) long term incentive vesting level for the Chief Executive over a ten-year period.

Table 19 – Chief Executive's pay

| | Ten years to 30 June 2022 | | | | | | | | | |
|--|---------------------------|-------|-------|--------------|-------|-------|-------|-------|-------|--------------|
| | Mark Clare | | | David Thomas | | | | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Chief Executive's total pay (£000) | 4,310 | 6,430 | 7,363 | 3,155 | 3,331 | 2,720 | 3,727 | 1,251 | 3,761 | 2,903 |
| Bonus outturn (as a percentage of maximum opportunity) | 100.0 | 100.0 | 93.2 | 97.4 | 97.5 | 92.2 | 96.2 | 0 | 99.0 | 98.3 |
| LTI vesting (as a percentage of maximum award) | 73.9 | 95.8 | 100.0 | 100.0 | 100.0 | 76.4 | 92.8 | 19.4 | 80.0 | 59.3 |

TSR performance graph

The graph below, prepared in accordance with the regulations, shows the TSR performance over the last ten years against the FTSE 100 and against an unweighted index of listed housebuilders. The Board has chosen these comparative indices as the Group and its major competitors are constituents of one or both of these indices. The TSR has been calculated using a fair method in accordance with the regulations.



Source: Datastream by Refinitiv

Annual percentage change in remuneration of Directors compared to employees

Table 20 shows the percentage change in salary, taxable benefits and annual bonus set out in the relevant single figure of remuneration tables paid to each Director compared to that of the average pay of all employees of Barratt Developments PLC, the Group parent company, in respect of the financial years ended 30 June 2020 to 30 June 2022, compared with their prior years.

Table 20 – Percentage change in remuneration

| | FY22 | | | FY21 | | | FY20 | | |
|--|-----------------------------|----------------------|-----------------------------|--|----------------------|-----------------------------|-----------------------------|----------------------|-----------------------------|
| | Salary/ fees % change | Benefits % change | Annual bonus % change | Salary/ fees % change ¹ | Benefits % change | Annual bonus % change | Salary/ fees % change | Benefits % change | Annual bonus % change |
| Executive Directors | | | | | | | | | |
| David Thomas | 3.0 | 7.7 | 2.5 | 2.2 | (10.3) | 100.0 | 0.3 | 16.0 | (100.0) |
| Steven Boyes | 5.0 | (25.0) | 4.4 | 2.2 | 11.1 | 100.0 | 0.2 | (12.2) | (100.0) |
| Mike Scott ² | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Non-Executive Directors³ | | | | | | | | | |
| John Allan | 3.0 | 100.0 | N/A | 2.5 | 0.0 | N/A | 0 | (50.0) | N/A |
| Nina Bibby | 19.0 | 0.0 | N/A | 1.6 | 0.0 | N/A | 0 | 0 | N/A |
| Katie Bickerstaffe ⁴ | 41.5 | 0.0 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Jock Lennox | 41.6 | 0.0 | N/A | 4.1 | 0.0 | N/A | 0 | 0 | N/A |
| Sharon White | 32.8 | 0.0 | N/A | 3.2 | 0.0 | N/A | 0 | 0 | N/A |
| Chris Weston ⁴ | 43.8 | 0.0 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Average pay of all employees in Barratt Developments PLC | (1.1) | (11.3) | (3.2) | 7.7 | (3.5) | 100.0 | 4.0 | 6.4 | (100.0) |
| Average pay of all employees in the Group ⁵ | 7.8 | (2.1) | (3.2) | 0.4 | 2.1 | 100.0 | 0.8 | (1.5) | (100.0) |

¹ The percentage changes in salary and fees of the Directors for FY21 takes into account a temporary 20% voluntary reduction in base salary in April and May 2020 covering the period our construction sites were temporarily closed as a consequence of COVID-19.

² Mike Scott was appointed as an Executive Director effective 6 December 2021, therefore no percentage change in remuneration is displayed.

³ The changes in fees of the Non-Executive Directors reflect the introduction of additional fees for committee membership, and increases in fees for Committee Chairs which took place for FY22, and were set out in detail on page 102 of the FY21 Annual Report and Accounts.

⁴ Katie Bickerstaffe and Chris Weston were appointed to the Board with effect from 1 March 2021, and therefore the change in fees reflects the annualised fees that would have been earned for FY21.

⁵ Average pay using all employees in the Group is also provided, as a more meaningful figure, as the parent company employs only a very few senior employees. The figure represents the mean employee pay.

Chief Executive pay ratio

The table below compares the single total figure of remuneration for the Chief Executive with that of the Group employees who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of its UK employee population.

Table 21

| | Method | 25th percentile pay ratio | Median pay ratio | 75th percentile pay ratio |
|------|----------|------------------------------|---------------------|------------------------------|
| FY22 | Option B | 81:1 | 63:1 | 38:1 |
| FY21 | Option B | 115:1 | 94:1 | 60:1 |
| FY20 | Option B | 40:1 | 32:1 | 21:1 |
| FY19 | Option B | 123:1 | 88:1 | 59:1 |

The remuneration figures for the employee at each quartile were determined with reference to the financial year ended 30 June 2022.

Under Option B of The Companies (Miscellaneous Reporting) Regulations 2018, the latest available gender pay gap data (i.e. from April 2022) was used to identify the best equivalent for three Group UK employees whose hourly rates of pay are at the 25th, 50th and 75th percentiles for the Group. The Committee is comfortable that this approach provides a fair representation of the Chief Executive to employee pay ratios and is appropriate in comparison to alternative methods, balancing the need for statistical accuracy with internal operational resource constraints.

A full-time equivalent total pay and benefits figure for FY22 was then calculated for each of these employees. This was also sense checked against a sample of employees with hourly pay rates either side of the identified individuals to ensure that the appropriate representative employee is selected. The pay ratios outlined above were then calculated as the ratio of the Chief Executive's single figure to the total pay and benefits of each of these employees.

Each employee's pay and benefits were calculated using each element of remuneration on a full-time basis, consistent with the Chief Executive. No adjustments (other than the approximate up-rating of pay elements to achieve full-time equivalent rates) were made, with the exception of annual bonuses where the amount paid during the year for the annual bonus and H2 bonus was used (i.e. in respect of FY21) as the FY22 employee figures had not yet been determined at the time this report was produced. No components of pay have been omitted.

Remuneration report CONTINUED

Annual report on remuneration

The table below sets out the salary and total pay and benefits for the three identified quartile point employees:

Table 22

| | 25th percentile (P25) | Median (P50) | 75th percentile (P75) |
|------------------------|-----------------------|--------------|-----------------------|
| Salary | £29,073 | £45,175 | £66,437 |
| Total pay and benefits | £35,887 | £46,429 | £77,134 |

The FY22 pay ratios are lower than last year due to a decrease in the Chief Executive's single figure of remuneration compared to FY21 combined with an increase in the total pay and benefits for the P25, P50 and P75 employees. The decrease in Chief Executive pay is a result of a lower vesting outcome of the 2019 LTPP award in comparison to the 2018 LTPP award that vested last year. The Chief Executive's annual bonus payouts were broadly aligned between FY21 and FY22. The median pay ratio has fluctuated since reporting began. This movement has primarily been driven by both changes in Chief Executive pay outcomes and the impact of the pandemic on outcomes in recent years.

The Committee considers that the median pay ratio is consistent with the relative roles and responsibilities of the Chief Executive and the identified employee. Base salaries of all employees, including our Executive Directors, are set with reference to a range of factors including market practice, experience and performance in role. The Chief Executive's remuneration package is weighted towards variable pay (including the annual bonus and LTPP) due to the nature of the role. This also means that the ratio is likely to fluctuate depending on the outcomes of incentive plans in each year (as illustrated by the ratios to date).

The Committee also recognises that, due to the nature of the Company's business and the ways in which we employ our staff, the flexibility permitted within the regulations for identifying and calculating the total pay and benefits for employees, as well as differences in employment and remuneration models between companies, the ratios reported above may not be comparable to those reported by other companies.

Relative importance of spend on pay

The following table shows the Group's actual spend on pay (for all employees) relative to dividends and profit from operations:

Table 23 – Relative importance of spend on pay

| | FY22 £m | FY21 £m | % change |
|--|---------|---------|----------|
| Employee costs (including Executive Directors) | 492.7 | 445.1 | 11 |
| Profit from operations ¹ | 646.6 | 811.1 | (20) |
| Total capital return ² | 375.4 | 299.4 | 25 |

¹ Profit from operations has been chosen as a metric to compare against as it shows how spend on pay is linked to the Group's operating performance. The figure used is from the Consolidated Income Statement on page 135.

² For FY21 this includes the interim and final dividends paid in May and November 2021. For FY22, this includes the interim dividend paid in May 2022, and the proposed final dividend for payment in November 2022, the value of which has been calculated based on the number of shares in issue as at 30 June 2022. There have been no share buybacks made during FY21 or FY22.

Non-executive directorships

Details of the Group's policy on non-executive directorships held by Executive Directors is given in the Directors' Remuneration Policy table on page 134 of the 2020 Annual Report and Accounts. Neither Steven Boyes nor Mike Scott held any non-executive directorships with other companies during the year. David Thomas is a non-executive director of the HBF for which he does not receive a fee. He also participates in a number of groups connected with the UK construction industry (in particular sustainability), for which no fee is paid.

Statement of shareholding vote at AGM

The latest resolution to approve the Directors' remuneration policy (a binding vote, to remain in place for three years following its approval by shareholders) and the resolution to approve last year's Annual report on remuneration (an advisory vote) were proposed to shareholders at the 2020 and 2021 AGMs respectively. The following votes were received:

Table 24 – Shareholder votes on Remuneration

| | Vote on Remuneration Policy – 2020 AGM | | Vote on Remuneration report – 2021 AGM | |
|----------------------|--|--------------|--|--------------|
| | Number of votes | % votes cast | Number of votes | % votes cast |
| Votes cast in favour | 669,565,590 | 98.38 | 713,316,429 | 98.03 |
| Votes cast against | 10,994,399 | 1.62 | 14,367,687 | 1.97 |
| Total votes cast | 680,559,989 | 100.00 | 727,684,116 | 100.00 |
| Votes withheld | 121,686 | – | 8,583,304 | – |

This Remuneration report was approved by the Board on 6 September 2022 and signed on its behalf by:

Katie Bickerstaffe

Chair of the Remuneration Committee

6 September 2022

Other statutory disclosures

Directors' Report

For the financial year ended 30 June 2022, the Strategic Report is set out on pages 1 to 73 and the Directors' Report on pages 74 to 127. The table below sets out the location of information required to be disclosed in the Directors' Report, which can be found in other sections of this Annual Report and Accounts and is incorporated by reference.

| Information Required | Page numbers |
|--|-----------------------|
| Arrangements under which a shareholder has waived or agreed to waive a dividend and details of the waiver ¹ | 173 |
| Likely future developments in the business of the Group | 1 to 51 |
| Financial instruments | 171 to 172 |
| Post-balance sheet important events | 184 |
| A description of the Company's policies on employment of people with disabilities | 32 |
| A description of the Company's employee engagement and involvement practices | 30 to 33 and 41 to 43 |
| Stakeholder engagement | 39 to 51 |
| Greenhouse gas emissions | 69 |
| Research and development activities | 14 and 15 |

¹ This item is a requirement of Listing Rule 9.8.4R. All other items are requirements of Schedule 7 of the Large and Medium Sized Companies and Groups Regulations.

Dividends

An interim dividend of 11.2 pence per share was paid on 18 May 2022 to those shareholders on the register on 8 April 2022 (2021: 7.5 pence per share). The Directors recommend payment of a final dividend of 25.7 pence per share (2021: 21.9 pence per share) in respect of FY22. The final dividend will be paid, subject to shareholder approval at the 2022 AGM, on 4 November 2022 to shareholders on the register at close of business on 30 September 2022. Shareholders who wish to elect for the Dividend Reinvestment Plan should do so by 14 October 2022.

If approved, the total dividend for FY22 will be 36.9 pence per share (2021: 29.4 pence per share).

Annual General Meeting

The 2022 AGM will be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ on Monday 17 October 2022 at 2 p.m. The notice convening the AGM is set out in a separate letter to shareholders.

Significant Shareholdings

In accordance with the DTRs, all notifications received by the Company are published on the Company's website, www.barrattddevelopments.co.uk, and via a Regulatory Information Service. As at 30 June 2022, the persons set out in the table below have notified the Company, pursuant to DTR 5.1, of their interests in the voting rights in the Company's issued share capital:

Notifiable interests

| | Number of voting rights ¹ | % of total issued share capital ² | Nature of holding |
|----------------------|--------------------------------------|--|-------------------|
| FMR LLC | 34,579,199 | 8.24 | Indirect |
| BlackRock, Inc. | 56,413,704 | 5.60 | Indirect |
| Royal Bank of Canada | 30,554,688 | 3.00 | Direct |

¹ Represents the number of voting rights last notified to the Company by the respective shareholder in accordance with DTR 5.1.

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

At 6 September 2022, no change in these holdings had been notified and no further notifications had been received. The Total Voting Rights of the Company, as announced on 31 August 2022, are 1,022,563,620.

Appointment and removal of Directors

The appointment and removal of Directors is governed by the Articles, the Act and related legislation. There shall be (unless otherwise determined by an ordinary resolution) no fewer than two and no more than 15 Directors appointed to the Board at any one time. Directors may be appointed by the Company by ordinary resolution or by the Board. In accordance with the Code and the Articles, at each AGM, all of the Directors shall retire from office at the date of the Notice of AGM and may offer themselves for reappointment by members. Directors may be removed before the expiration of their term of office by means set out in the Act and the Articles, including by special resolution.

Powers of the Directors including in relation to the allotment of shares

Subject to the Articles, the Act and any directions given by special resolution, the business of the Company is ultimately managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or otherwise. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertakings, property, assets and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company to any third party. At the AGM held on 13 October 2021, the Directors were given authority to allot shares up to a nominal value of £33,985,510 (representing one-third of the nominal value of the Company's issued share capital as at 3 September 2021), such authority to remain valid until the end of the 2022 AGM or, if earlier, until the close of business on 13 January 2023. A resolution to renew this authority will be proposed at the 2022 AGM.

Other statutory disclosures CONTINUED

Directors' indemnities and insurance

Qualifying third-party indemnity provisions are in place for the Directors, former Directors and the Company Secretary, together with those who hold or have held these positions as officers of other Group companies or of associate or affiliated companies and members of the Executive Committee, to the extent permitted by law and the Articles, in respect of liabilities incurred in the course of performing their duties. In addition, the Company maintains directors' and officers' liability insurance for each Director of the Group and its associated companies.

Political donations and expenditure

The Company made no political donations during the year in accordance with its policy. In keeping with the Company's approach in prior years, shareholder approval is being sought at the 2022 AGM, as a precautionary measure, for donations and/or expenditure that may be construed as political by the wide definition of such terms provided under the Act.

Branches

The Group's representative office in Beijing was closed in June 2022.

Capital structure

The Company has a single class of share capital, which is divided into ordinary shares of 10 pence each. All issued shares are in registered form and are fully paid. Details of the Company's issued share capital and of the movements in the share capital during the year can be found note 24 on page 173.

Shareholder voting rights and restrictions on transfer of shares

All the issued and outstanding ordinary shares of the Company have equal voting rights with one vote per share. There are no special control rights attaching to them, save that the Trustees of the EBT may vote or abstain from voting on shares held in the EBT in any way they think fit and in doing so may consider both financial and non-financial interests of the beneficiaries of the EBT or their dependants. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities. The rights, including full details relating to voting of shareholders and any restrictions on transfer relating to the Company's ordinary shares, are set out in the Articles and in the explanatory notes that accompany the Notice of the 2022 AGM. These documents are available on the Company's website at www.barrattdevelopments.co.uk.

Shareholder authority for purchase of own shares

At the Company's AGM held on 13 October 2021, shareholders authorised the Company to buy back up to an aggregate of 101,956,532 ordinary shares (representing 10% of the Company's issued share capital). This authority is valid until the end of the 2022 AGM (at which a renewal of that authority will be sought) or, if earlier, until the close of business on 13 January 2023. Under the authority, there is a minimum and maximum price to be paid for such shares. Any shares that are bought back may be held as treasury shares or, if not so held, will be cancelled immediately upon completion of the purchase, thereby reducing the Company's issued share capital. No purchases had been made under this authority as at the date of this Annual Report and Accounts.

Articles of Association

The Articles may only be amended by a special resolution of shareholders. The Articles were last amended at the Company's AGM held on 14 October 2020.

Approach to tax and tax governance

For all taxes, it is the Group's aim to ensure it accurately calculates and pays the tax that is due at the correct time. Whilst the Group does seek to minimise its tax liabilities through legitimate routine tax planning, it does not participate in aggressive tax planning schemes. The Group also seeks to be transparent in its dealings with HMRC and has regular dialogue with its representatives to discuss both developments in the business and the ongoing tax position. In accordance with UK legislation, we have published details of our tax strategy, and this can be found at www.barrattdevelopments.co.uk.

The Chief Financial Officer retains overall responsibility for oversight of the tax affairs of the Group. David Thomas, Chief Executive, was Senior Accounting Officer until 31 December 2021, after which Mike Scott, as the newly appointed Chief Financial Officer, became the Senior Accounting Officer. The Senior Accounting Officer receives regular updates on tax matters. In addition, tax management and strategy are reviewed at least annually by the Audit Committee, with no changes proposed for the year ended 30 June 2022.

Change of control

The following significant agreements as at 30 June 2022 contained provisions entitling the counterparties to exercise termination and/or other rights in the event of a change of control of the Company:

- an RCF agreement containing change of control provisions which provide that, on a change of control of the Company, the relevant counterparties may require the Company to immediately repay all amounts outstanding and would not be obliged to fund any further drawdown of the facility (other than rollover loans); and
- a note purchase agreement in respect of the Group's £200m privately placed notes containing change of control provisions which provide that, on a change of control of the Company, the noteholders may require the Company to prepay at par all outstanding amounts under the notes.

In addition, the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control subject to the satisfaction of any performance conditions at that time.

The Company is not aware of any other significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company.

The Company does not have any agreements with any Director or employee that would provide compensation for loss of office or employment resulting from change of control following a takeover bid.

On behalf of the Board

Tina Bains
Company Secretary

6 September 2022

Statement of Directors' responsibilities

Financial Statements and accounting records

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with IAS in conformity with the requirements of the Companies Act 2006. The Financial Statements also comply with IFRS as issued by the IASB. The Directors have also elected to prepare the Parent Company Financial Statements in accordance with IAS in conformity with the requirements of the Companies Act 2006.

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

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

Directors are also required to:

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

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

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

Fair, balanced and understandable

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

Disclosure of information to auditor

In accordance with section 418 of the Act, the Directors confirm that, so far as they are each aware, there is no relevant audit information that has not been brought to the attention of the Company's auditor. Each Director has taken all reasonable steps that they ought to have taken in accordance with their duty as a Director to make themselves aware of any relevant audit information and to ensure that the Company's auditor is aware of that information.

Directors' responsibility statement

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

- the Group Financial Statements in the Annual Report and Accounts, which have been prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006, and those of the Parent Company, which have been prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and Group taken as a whole; and
- the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

The Directors of the Company and their functions are listed on pages 68 and 69.

By order of the Board.

David Thomas
Chief Executive

6 September 2022

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The Directors' Report from pages 74 to 126 inclusive was approved by the Board on 6 September 2022 and is signed on its behalf by

Tina Bains
Company Secretary

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Key to financial icons

Throughout the Financial Statements you will see these icons used; they represent the following:

Group accounting policies:



Critical accounting judgements and key sources of estimation uncertainty:



Independent Auditor's Report

to the members of Barratt Developments PLC

Report on the audit of the Financial Statements

1. Opinion

In our opinion:

- the Financial Statements of Barratt Developments PLC (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2022 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Company Financial Statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Company Balance Sheets;
- the Consolidated and Company Statements of Changes in Shareholders' Equity;
- the Consolidated and Company Cash Flow Statements; and
- the related notes 1 to 33.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Company Financial Statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Company for the year are disclosed in note 3 to the Financial Statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Margin recognition; and
- Costs associated with legacy properties

Within this report, key audit matters are identified as follows:

- ⊕ Increased level of risk
- ⊙ Similar level of risk
- ⊖ Decreased level of risk

Materiality

The materiality that we used for the Group Financial Statements was £50 million which represents 4.7% of adjusted profit before tax. Adjusted profit before tax is profit before tax and adjusted items as disclosed in the consolidated income statement.

Scoping

Our scoping focused on the audit work of the two components, being housebuilding and joint ventures (JVs). All audit work was completed directly by the Group audit engagement team.

Significant changes in our approach

The only change to our audit approach in the current year is the benchmark used in determining materiality. Due to the uncertainty caused by COVID-19 in the prior year, a blended approach of assessing a number of metrics was used, as the level of uncertainty has significantly reduced in the current year, a single benchmark approach has been adopted. The key audit matters identified in the prior period remain relevant for the current year.

4. Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included:

- assessing the Group's financing facilities including nature of facilities, repayment terms and covenants;
- challenged assumptions used in the going concern model;
- reperforming management's sensitivity analysis;
- assessing identified potential mitigating actions and the appropriateness of the inclusion of these in the going concern assessment;
- assessing the historical accuracy of forecast; and
- evaluating whether the disclosures in respect of going concern within the Financial Statements meet the requirements of IAS 1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the Financial Statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report CONTINUED

to the members of Barratt Developments PLC

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Margin recognition

Key audit matter description The Group's valuation and cost allocation framework determines the total profit forecast for each site. This allows the land and build costs of a development to be allocated to each individual unit, ensuring the forecast margin per unit is equalised across a development. This cost allocation framework drives the recognition of costs, and hence profit, as each unit is sold, which is the key judgement in the Income Statement and is where fraud could potentially occur. Accordingly, we consider the recognition of cost per unit and therefore the appropriate margin to be a key audit matter.

For each development there is judgement in:

- Estimating the inputs included within a site budget, including future revenues and costs to complete, in order to determine the level of profit that each unit of the development will deliver;
- Determination of future house price inflation and build cost inflation;
- Appropriately allocating costs such as shared infrastructure relating to a development so that the gross profit margin (in percentage terms) achieved on each individual unit is equal;
- Recognising site contingencies and their impact on margin; and
- Recording the variation when a deviation from the initial budget occurs and ensuring such variations are appropriately recognised to those units impacted by the deviation.

These judgements impact the profit recognised on each unit sold and reported margin is a key metric for the Group.

Refer to page 92 (Audit Committee Report) and notes 1 and 3 (Financial Statement disclosures including the related critical accounting judgements and key sources of estimation uncertainty).

How the scope of our audit responded to the key audit matter Our work included the following:

- Tested the relevant controls covering site valuations, land acquisition feasibilities and margin review;
- Visited a sample of sites and verified work completed to date. On a sample basis, agreed the cost incurred to source documentation to verify work in progress;
- On a sample of sites, made enquiries with management to support their cost to complete estimates and obtained external supporting evidence regarding costs to complete;
- Evaluated key estimates in the margin calculation, including the current and forecast macro-economic conditions such as future sales volume assumptions and house price and construction cost inflation;
- Analysed margins on a site-by-site and divisional basis to identify material movements in the site margins compared to prior year. We evaluated and assessed the material variances through enquiries with management and obtaining corroborative evidence;
- Used bespoke analytics to analyse costs to complete. This enabled us to analyse cost category composition for each site and compare to budgeted positions and Group averages. We performed enquiries and obtained corroborative evidence for exceptions identified; and
- Made enquiries of management regarding their assessment of the impact of climate change on the forecast costs to complete and house prices and assessed the reasonableness of their assumptions.

Key observations Based on the procedures performed we concluded that margin was recognised appropriately in the year.

5.2. Costs associated with legacy properties

Key audit matter description There is ongoing challenge and public scrutiny in relation to fire safety and cladding related issues at legacy developments. The Group has recognised a number of provisions in relation to changing building regulations and remediation of structural defects identified. The provisions also include the expected cost to address necessary fire-safety issues on all buildings of 11 metres and above following the adoption of the UK Government industry pledge by Barratt in April 2022.

As a result of the evolving regulatory environment and government policy, including the building safety industry pledge, we continue to identify an increased level of risk in relation to the Group's obligations. We identified a key audit matter in relation to costs associated with legacy properties as the amount provided by the Group could be incomplete or not valued accurately for the remediation required.

To date, there is limited actual evidence of the costs of remediation and the accounting for these provisions involves a number of assumptions when estimating the future costs. The key judgements are:

- determining which buildings the Group has an obligation to remediate at the balance sheet date;
- the cost of the future works;
- the duration over which the costs will be incurred; and
- the discount and inflation rates applied.

Fire-safety regulations continue to evolve and the Group's internal investigations are ongoing in relation to their legacy buildings, required remediation on a building by building basis and potential liabilities.

At the end of the financial year the Group holds a provision of £479.5m (2021: £67.6m) in relation to legacy properties. During the year, the Group incurred a charge of £448.0m (2021: £81.9m) and utilisation of £20.3m (2021: £46.3m) in relation to remediation costs. The additional provisions made have been recognised as an adjusted item and excluded from adjusted profit, as explained in note 4.

Refer to page 92 (Audit Committee Report) and notes 1, 21 and 29 to the Financial Statements, including the disclosures relating to this key source of estimation uncertainty.

How the scope of our audit responded to the key audit matter Our work included the following:

- obtained an understanding of controls relevant to the recognition and estimation of costs associated with legacy properties;
- assessed how the value of the provision has been determined, whether a present obligation to rectify the properties existed at the balance sheet date and that the associated costs have been recorded in the appropriate accounting period;
- validated a sample of cost estimates to underlying support such as third-party estimates, quotations or agreements in order to challenge management's estimates.
- assessed the associated disclosures, including consideration of costs classified as adjusted items.

Specifically, in relation to the building safety industry pledge, we performed the following:

- performed an assessment of the Group's legal liability through discussions with internal legal counsel, the Group's internal building safety unit;
- performed an assessment of the application of UK laws in relation to responsibilities of freeholders;
- analysed buildings with potential legal liability by considering the Group's portfolio of buildings against the commitments made under the building safety industry pledge;
- assessed the estimated liability by understanding and challenging management's assumptions regarding the costs of remediation per plot, the number of plots to be remediated, the time period for the work to be completed and the discount factor applied to the overall provision; and
- assessed the disclosure included within the Financial Statements in relation to provisions and contingent liabilities, including the disclosure of the assumptions and associated sensitivities in relation to the key sources of estimation uncertainty.

Key observations Based on the procedures performed we concluded the provision recorded to be appropriate based on information available at 30 June 2022, however we observed a high level of estimation uncertainty in the assumptions applied. Accordingly, we concur with the disclosure of this provision as a key source of estimation uncertainty within note 1 of the Financial Statements potentially subject to future change.

Independent Auditor's Report CONTINUED

to the members of Barratt Developments PLC

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

| | Group Financial Statements | Company Financial Statements |
|--|---|---|
| Materiality | £50m (2021: £40m) | £45m (2021: £36m) |
| Basis for determining materiality | Our determined materiality represents 4.7% (2021: 4.3%) of adjusted profit before tax. Adjusted profit before tax is profit before tax and adjusted items as disclosed in the consolidated income statement. In the prior year, due to the volatility in the results of the Group arising from COVID-19, we considered the following metrics when determining materiality: <ul style="list-style-type: none"> Profit before tax; Revenue; and Net assets. | Our basis for materiality was determined based upon 3% (2021: 3%) of the Company's net assets capped at 90% (2021: 90%) of Group materiality. |
| Rationale for the benchmark applied | We consider adjusted profit before tax to be an important benchmark of the performance of the Group. Whilst not an IFRS measure, adjusted profit before tax is one of the key metrics for the Group. It excludes some of the volatility arising from adjusted items and accordingly we consider it the appropriate basis. | Net assets was used as the benchmark because it provides a stable basis and there are volatile earnings between periods. |

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole.

| | Group Financial Statements | Company Financial Statements |
|--|--|--|
| Performance materiality | 70% (2021: 70%) of Group materiality | 70% (2021: 70%) of Company materiality |
| Basis and rationale for determining performance materiality | In determining performance materiality, we considered the following factors: <ul style="list-style-type: none"> Our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes; and Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods. | |

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.5m (2021: £2.0m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The entire Group is audited by one audit engagement team, led by the Senior Statutory Auditor. Controls are common across the Group and there are two identified components, housebuilding and joint ventures, which take into consideration all of the Group's divisions, as well as the head office consolidation.

Each component was set a specific component performance materiality, considering its relative size and any component-specific risk factors such as internal control findings and history of error. The component materialities applied were in the range £17.5m to £33.2m. Both components have been subject to a full scope audit

7.2. Our consideration of the control environment

We obtained an understanding of the relevant internal controls over key audit matters, relating to margin recognition and legacy properties. We obtained an understanding of other relevant controls which we would expect in a housebuilder, namely those over land and work in progress and those over subcontractor and other expenses. In the current year, we have tested controls relating to margin recognition, subcontractors, expenditure, land and work in progress. Based on our work performed we adopted a controls reliance approach to our testing in these areas.

The Group IT landscape contains a number of IT systems, applications and tools used to support business processes and reporting. We performed testing of General IT Controls ("GITCs") of three key systems, TM1, COINs and Homebuilder, which included controls surrounding user access management and change management.

7.3. Our consideration of climate-related risks

As part of our audit we have made enquiries of management to understand the process they have adopted to assess the potential impact of climate change on the Financial Statements. As disclosed on page 57, the Group considers climate change to be a principal risk within the business which in the medium term particularly impacts the Group's ability to build homes that are considered fit for purpose as well as potentially incurring significantly increased costs. In the long term, climate change could cause significant disruption to operations. These risks are consistent with those identified through our own risk assessment process. Due to its medium to longer term impact, the Group has assessed the impact of climate change on the viability of the business, as disclosed within the Viability Statement on page 72.

As part of our identification of key audit matters, we therefore assessed there to be an element of risk in relation to climate change as part of margin recognition. There is a risk that the forecast cost to complete does not include appropriate assumptions relating to climate change, for example, additional costs to ensure the homes meet customer and investor expectations. In addition to our procedures outlined in section 5.1 above, we have read the climate change related disclosures within the other information included in the annual report for consistency with the understanding we have obtained during the audit.

8. Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the Group's internal legal counsel and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations and IT specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: margin recognition and costs associated with legacy properties. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, Building Safety Regulations, pensions tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the environmental regulations and health and safety law.

11.2. Audit response to risks identified

As a result of performing the above, we identified margin recognition and costs associated with legacy properties as key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Independent Auditor's Report CONTINUED

to the members of Barratt Developments PLC

The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of Management, the Audit Committee, in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 72;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 72;
- the directors' statement on fair, balanced and understandable set out on page 127;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 53;

- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 52 and 53; and
- the section describing the work of the Audit Committee set out on page 91.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed at the AGM in 2007 to audit the Financial Statements for the year ending 30 June 2008 and subsequent financial periods. Following a competitive tender process, we were reappointed as auditor for the year ending 30 June 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 15 years, covering the years ending 30 June 2008 to 30 June 2022.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these Financial Statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Claire Faulkner (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
6 September 2022

Consolidated Income Statement

Year ended 30 June 2022

| | Notes | 2022 £m | 2021 £m |
|--|-------|------------------|------------|
| Continuing operations | | | |
| Revenue | 2 | 5,267.9 | 4,811.7 |
| Cost of sales | | (4,368.0) | (3,801.7) |
| Gross profit | | 899.9 | 1,010.0 |
| Administrative expenses | 3 | (256.4) | (204.4) |
| Part-exchange income | | 84.4 | 220.4 |
| Part-exchange expenses | | (81.3) | (214.9) |
| Profit from operations | 3 | 646.6 | 811.1 |
| Finance income | 6 | 2.5 | 1.4 |
| Finance costs | 6 | (30.1) | (28.0) |
| Net finance costs | 6 | (27.6) | (26.6) |
| Share of post-tax profit from joint ventures | 13 | 23.3 | 27.7 |
| Profit before tax | | 642.3 | 812.2 |
| Tax | 7 | (127.1) | (152.1) |
| Profit for the year | | 515.2 | 660.1 |
| Profit for the year attributable to the owners of the Company | | 515.1 | 659.8 |
| Profit for the year attributable to non-controlling interests | 28 | 0.1 | 0.3 |
| Earnings per share from continuing operations | | | |
| Basic | 8 | 50.6p | 64.9p |
| Diluted | 8 | 49.8p | 64.0p |

The notes on pages 142 to 194 form an integral part of these Financial Statements.

Adjusted items:

| | Notes | Gross profit | | Profit from operations | | Share of post-tax profit from joint ventures | | Profit before tax | |
|--|-------|----------------|------------|------------------------|------------|--|------------|-------------------|------------|
| | | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Reported profit | | 899.9 | 1,010.0 | 646.6 | 811.1 | 23.3 | 27.7 | 642.3 | 812.2 |
| Cost associated with legacy properties | 4 | 433.2 | 81.9 | 433.2 | 81.9 | 4.3 | (0.4) | 437.5 | 81.5 |
| Legacy property recoveries | 4 | (25.0) | - | (25.0) | - | - | - | (25.0) | - |
| CJRS grant repaid | 4 | - | 22.8 | - | 26.0 | - | - | - | 26.0 |
| Adjusted profit | | 1,308.1 | 1,114.7 | 1,054.8 | 919.0 | 27.6 | 27.3 | 1,054.8 | 919.7 |

Consolidated Statement of Comprehensive Income

Year ended 30 June 2022

| | Notes | 2022 £m | 2021 £m |
|---|-------|--------------|------------|
| Profit for the year | | 515.2 | 660.1 |
| Other comprehensive income/(expense): | | | |
| Items that will not be reclassified to profit or loss | | | |
| Actuarial loss on defined benefit pension scheme | | - | (2.2) |
| Tax credit relating to items not reclassified | | - | 0.4 |
| Total items that will not be reclassified to profit or loss | | - | (1.8) |
| Total comprehensive income recognised for the year | | 515.2 | 658.3 |
| Total comprehensive income recognised for the year attributable to the owners of the Company | | 515.1 | 658.0 |
| Total comprehensive income recognised for the year attributable to non-controlling interests | 28 | 0.1 | 0.3 |

The notes on pages 142 to 194 form an integral part of these Financial Statements.

Statement of Changes in Shareholders' Equity – Group

| | Share capital (note 24) £m | Share premium £m | Merger reserve (note 25) £m | Own shares (note 26) £m | Share-based payments (note 27) £m | Group retained earnings due to share-holders of the Company £m | Total Group retained earnings due to share-holders of the Company £m | Non-controlling interests (note 28) £m | Total equity £m |
|--|----------------------------------|---------------------|-----------------------------------|-------------------------------|---|---|---|--|--------------------|
| At 1 July 2020 | 101.8 | 245.2 | 1,109.0 | (20.1) | 16.6 | 3,386.4 | 3,382.9 | 1.4 | 4,840.3 |
| Profit for the year | - | - | - | - | - | 659.8 | 659.8 | 0.3 | 660.1 |
| Actuarial loss on pension scheme | - | - | - | - | - | (2.2) | (2.2) | - | (2.2) |
| Tax on items above taken directly to equity | - | - | - | - | - | 0.4 | 0.4 | - | 0.4 |
| Total comprehensive income recognised for the year ended 30 June 2021 | - | - | - | - | - | 658.0 | 658.0 | 0.3 | 658.3 |
| Dividend payments (note 9) | - | - | - | - | - | (76.3) | (76.3) | - | (76.3) |
| Distributions to non-controlling interests | - | - | - | - | - | - | - | (0.6) | (0.6) |
| Issue of shares | - | 0.1 | - | - | - | - | - | - | 0.1 |
| Share-based payments | - | - | - | - | 20.4 | - | 20.4 | - | 20.4 |
| Transfers in respect of share options | - | - | - | 15.4 | (12.2) | 3.8 | 7.0 | - | 7.0 |
| Tax on share-based payments | - | - | - | - | 2.8 | 0.1 | 2.9 | - | 2.9 |
| At 30 June 2021 | 101.8 | 245.3 | 1,109.0 | (4.7) | 27.6 | 3,972.0 | 3,994.9 | 1.1 | 5,452.1 |
| Profit for the year being total comprehensive income recognised for the year ended 30 June 2022 | - | - | - | - | - | 515.1 | 515.1 | 0.1 | 515.2 |
| Dividend payments (note 9) | - | - | - | - | - | (337.0) | (337.0) | - | (337.0) |
| Distributions to non-controlling interests | - | - | - | - | - | - | - | (0.4) | (0.4) |
| Issue of shares | 0.4 | 8.1 | - | - | - | - | - | - | 8.5 |
| Share-based payments | - | - | - | - | 24.2 | - | 24.2 | - | 24.2 |
| Purchase of own shares | - | - | - | (28.5) | - | - | (28.5) | - | (28.5) |
| Transfers in respect of share options | - | - | - | 6.2 | (20.1) | 12.0 | (1.9) | - | (1.9) |
| Tax on share-based payments | - | - | - | - | (2.7) | 1.8 | (0.9) | - | (0.9) |
| At 30 June 2022 | 102.2 | 253.4 | 1,109.0 | (27.0) | 29.0 | 4,163.9 | 4,165.9 | 0.8 | 5,631.3 |

The notes on pages 142 to 194 form an integral part of these Financial Statements.

Statement of Changes in Shareholders' Equity – Company

| | Share capital (note 24) £m | Share premium £m | Merger reserve (note 25) £m | Own shares (note 26) £m | Share-based payments (note 27) £m | Retained earnings £m | Total retained earnings £m | Total equity £m |
|--|----------------------------------|---------------------|-----------------------------------|-------------------------------|---|-------------------------|-------------------------------|--------------------|
| At 1 July 2020 | 101.8 | 245.2 | 1,109.0 | (20.1) | 16.6 | 2,132.5 | 2,129.0 | 3,585.0 |
| Loss for the year | - | - | - | - | - | (8.8) | (8.8) | (8.8) |
| Actuarial loss on pension scheme | - | - | - | - | - | (2.2) | (2.2) | (2.2) |
| Tax on items above taken directly to equity | - | - | - | - | - | 0.4 | 0.4 | 0.4 |
| Total comprehensive expense recognised for the year ended 30 June 2021 | - | - | - | - | - | (10.6) | (10.6) | (10.6) |
| Dividend payments (note 9) | - | - | - | - | - | (76.3) | (76.3) | (76.3) |
| Issue of shares | - | 0.1 | - | - | - | - | - | 0.1 |
| Share-based payments | - | - | - | - | 20.4 | - | 20.4 | 20.4 |
| Transfers in respect of share options | - | - | - | 15.4 | (12.2) | 0.8 | 4.0 | 4.0 |
| Tax on share-based payments | - | - | - | - | 1.1 | - | 1.1 | 1.1 |
| At 30 June 2021 | 101.8 | 245.3 | 1,109.0 | (4.7) | 25.9 | 2,046.4 | 2,067.6 | 3,523.7 |
| Profit for the year being total comprehensive income recognised for the year ended 30 June 2022 | - | - | - | - | - | 500.2 | 500.2 | 500.2 |
| Dividend payments (note 9) | - | - | - | - | - | (337.0) | (337.0) | (337.0) |
| Issue of shares | 0.4 | 8.1 | - | - | - | - | - | 8.5 |
| Share-based payments | - | - | - | - | 24.2 | - | 24.2 | 24.2 |
| Purchase of own shares | - | - | - | (28.5) | - | - | (28.5) | (28.5) |
| Transfers in respect of share options | - | - | - | 6.2 | (20.1) | 6.4 | (7.5) | (7.5) |
| Tax on share-based payments | - | - | - | - | (1.0) | 0.7 | (0.3) | (0.3) |
| At 30 June 2022 | 102.2 | 253.4 | 1,109.0 | (27.0) | 29.0 | 2,216.7 | 2,218.7 | 3,683.3 |

The notes on pages 142 to 194 form an integral part of these Financial Statements.

Balance Sheets At 30 June 2022

| | Notes | Group | | | Company | |
|---|-------|------------------|---|--|----------------|------------------|
| | | 2022 £m | 2021 re-presented ¹ £m | 1 July 2020 re-presented ¹ £m | 2022 £m | 2021 £m |
| Assets | | | | | | |
| Non-current assets | | | | | | |
| Other intangible assets | 11 | 205.4 | 100.0 | 101.1 | - | - |
| Goodwill | 11 | 852.9 | 805.9 | 805.9 | - | - |
| Investments in subsidiary undertakings | 12 | - | - | - | 3,092.5 | 3,088.0 |
| Investments in joint ventures and associates | 13 | 177.9 | 163.1 | 152.1 | - | - |
| Property, plant and equipment | 15 | 41.2 | 20.4 | 19.0 | 6.6 | 12.5 |
| Right-of-use assets | 16 | 35.6 | 39.3 | 46.7 | 4.2 | 4.5 |
| Deferred tax assets | 7 | - | - | - | 3.2 | 4.7 |
| Trade and other receivables | 18 | 6.5 | 1.2 | 5.8 | 76.1 | 75.8 |
| | | 1,319.5 | 1,129.9 | 1,130.6 | 3,182.6 | 3,185.5 |
| Current assets | | | | | | |
| Inventories | 17 | 5,291.6 | 4,645.5 | 5,027.9 | - | - |
| Trade and other receivables | 18 | 237.0 | 179.6 | 86.0 | 13.4 | 19.2 |
| Current tax assets | | 9.9 | - | - | 3.1 | 2.0 |
| Cash and cash equivalents | 19 | 1,352.7 | 1,518.6 | 619.8 | 1,045.4 | 1,319.0 |
| | | 6,891.2 | 6,343.7 | 5,733.7 | 1,061.9 | 1,340.2 |
| Total assets | | 8,210.7 | 7,473.6 | 6,864.3 | 4,244.5 | 4,525.7 |
| Liabilities | | | | | | |
| Non-current liabilities | | | | | | |
| Loans and borrowings | 19 | (200.0) | (200.0) | (200.0) | (200.0) | (200.0) |
| Trade and other payables | 20 | (240.5) | (296.8) | (319.7) | - | - |
| Lease liabilities | 16 | (26.6) | (29.8) | (36.1) | (3.1) | (3.6) |
| Deferred tax liabilities | 7 | (45.1) | (8.9) | (2.4) | - | - |
| Provisions | 21 | (359.6) | - | - | - | - |
| | | (871.8) | (535.5) | (558.2) | (203.1) | (203.6) |
| Current liabilities | | | | | | |
| Loans and borrowings | 19 | (17.3) | (5.3) | (117.7) | - | - |
| Trade and other payables ¹ | 20 | (1,414.4) | (1,258.9) | (1,175.2) | (357.0) | (797.5) |
| Lease liabilities | 16 | (10.5) | (10.9) | (11.7) | (1.1) | (0.9) |
| Current tax liabilities | | - | (1.0) | (2.8) | - | - |
| Provisions ¹ | 21 | (265.4) | (209.9) | (158.4) | - | - |
| | | (1,707.6) | (1,486.0) | (1,465.8) | (358.1) | (798.4) |
| Total liabilities | | (2,579.4) | (2,021.5) | (2,024.0) | (561.2) | (1,002.0) |
| Net assets | | 5,631.3 | 5,452.1 | 4,840.3 | 3,683.3 | 3,523.7 |
| Equity | | | | | | |
| Share capital | 24 | 102.2 | 101.8 | 101.8 | 102.2 | 101.8 |
| Share premium | | 253.4 | 245.3 | 245.2 | 253.4 | 245.3 |
| Merger reserve | 25 | 1,109.0 | 1,109.0 | 1,109.0 | 1,109.0 | 1,109.0 |
| Total retained earnings | | 4,165.9 | 3,994.9 | 3,382.9 | 2,218.7 | 2,067.6 |
| Equity attributable to the owners of the Company | | 5,630.5 | 5,451.0 | 4,838.9 | 3,683.3 | 3,523.7 |
| Non-controlling interests | 28 | 0.8 | 1.1 | 1.4 | - | - |
| Total equity | | 5,631.3 | 5,452.1 | 4,840.3 | 3,683.3 | 3,523.7 |

¹ Costs in relation to completed developments, previously included within trade and other payables, have been reclassified as provisions as described in note 1 to the Financial Statements. Prior year balances have been re-presented to ensure comparability.

The Financial Statements of Barratt Developments PLC (registered number 00604574) were approved by the Board and authorised for issue on 6 September 2022.

Signed on behalf of the Board:

David Thomas
Chief Executive

Mike Scott
Chief Financial Officer

Parent Company Income Statement

In accordance with the provisions of section 408 of the Companies Act 2006, a separate Income Statement for the Company has not been presented. The Company's profit for the year was £500.2m (2021: £8.8m loss).

The notes on pages 142 to 194 form an integral part of these Financial Statements.

Cash Flow Statements

Year ended 30 June 2022

| | Notes | Group | | Company | |
|---|-------|----------------|------------|----------------|------------|
| | | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Net cash inflow/(outflow) from operating activities (page 141) | | 417.6 | 1,082.3 | (433.1) | 1,071.4 |
| Investing activities: | | | | | |
| Purchase of property, plant and equipment | 15 | (29.9) | (7.2) | (1.4) | (6.1) |
| Proceeds from the disposal of fixed assets | | 1.0 | - | - | - |
| Consideration, net of cash acquired, paid on acquisition of subsidiaries | 10 | (205.6) | - | - | - |
| Increase in amounts invested in entities accounted for using the equity method | 13 | (17.9) | (7.9) | - | - |
| Repayment of amounts invested in entities accounted for using the equity method | 13 | 9.9 | 3.4 | - | - |
| Dividends received from investments accounted for using the equity method | 13 | 16.5 | 21.2 | - | - |
| Proceeds from the disposal of investments accounted for using the equity method | | - | 2.0 | - | - |
| Proceeds from the disposal of other investments | | 1.4 | - | - | - |
| Dividends received from subsidiaries | | - | - | 517.4 | 8.7 |
| Interest received | | 2.2 | 2.0 | 1.6 | 1.2 |
| Net cash (outflow)/inflow from investing activities | | (222.4) | 13.5 | 517.6 | 3.8 |
| Financing activities: | | | | | |
| Dividends paid to equity holders of the Company | 9 | (337.0) | (76.3) | (337.0) | (76.3) |
| Distribution made to non-controlling partner | 28 | (0.4) | (0.6) | - | - |
| Purchase of own shares | | (28.5) | - | (28.5) | - |
| Proceeds from the exercise of share options | | - | 8.0 | - | 8.0 |
| Proceeds from issue of share capital | | 8.5 | 0.1 | 8.5 | 0.1 |
| Payment of dividend equivalents | | (1.9) | (1.0) | - | - |
| Loans and borrowings repayments | | (5.3) | (112.4) | - | (111.0) |
| Repayment of lease liabilities | 16 | (13.8) | (14.8) | (1.1) | (1.0) |
| Net cash outflow from financing activities | | (378.4) | (197.0) | (358.1) | (180.2) |
| Net (decrease)/increase in cash, cash equivalents and bank overdrafts | | (183.2) | 898.8 | (273.6) | 895.0 |
| Cash, cash equivalents and bank overdrafts at the beginning of the year | | 1,518.6 | 619.8 | 1,319.0 | 424.0 |
| Cash, cash equivalents and bank overdrafts at the end of the year | 19 | 1,335.4 | 1,518.6 | 1,045.4 | 1,319.0 |

The notes on pages 142 to 194 form an integral part of these Financial Statements.

| | Notes | Group | | Company | |
|--|-------|----------------|-------------------------|----------------|------------|
| | | 2022 £m | 2021 ² £m | 2022 £m | 2021 £m |
| Reconciliation of profit from operations to cash flow from operating activities | | | | | |
| Profit from operations | | 646.6 | 811.1 | 12.8 | 3.7 |
| Depreciation of property, plant and equipment | 15 | 6.2 | 5.8 | 3.5 | 3.1 |
| Loss on disposal of property, plant and equipment | | 3.2 | - | 3.8 | - |
| Depreciation of right-of-use assets | 16 | 13.0 | 13.8 | 1.1 | 1.0 |
| Amortisation of intangible assets | 11 | 4.3 | 1.1 | - | - |
| Profit on disposal of joint venture | | - | (2.0) | - | - |
| Reversal of impairment of inventories | 17 | (2.2) | (3.5) | - | - |
| Share-based payments charge | 27 | 24.2 | 20.4 | 9.0 | 9.6 |
| Imputed interest on deferred term payables ¹ | 6 | (14.4) | (13.7) | - | - |
| Imputed interest on lease arrangements | 6 | (0.9) | (1.3) | - | - |
| Amortisation of facility fees | 6 | (4.0) | (2.0) | (1.9) | (2.0) |
| Finance income related to employee benefits | 6 | - | 0.1 | - | 0.1 |
| Total non-cash items | | 29.4 | 18.7 | 15.5 | 11.8 |
| (Increase)/decrease in inventories | | (543.4) | 385.9 | - | - |
| Decrease/(increase) in receivables | | 20.8 | (93.1) | 5.8 | 304.1 |
| (Decrease)/increase in payables ² | | (10.7) | 62.7 | (433.6) | 776.8 |
| Increase in provisions ² | 21 | 415.1 | 51.5 | - | - |
| Total movements in working capital and provisions | | (118.2) | 407.0 | (427.8) | 1,080.9 |
| Interest paid | | (10.7) | (11.0) | (33.6) | (25.0) |
| Tax paid | | (129.5) | (143.5) | - | - |
| Net cash inflow/(outflow) from operating activities | | 417.6 | 1,082.3 | (433.1) | 1,071.4 |

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

² Costs in relation to completed developments, previously included within trade and other payables, have been reclassified as provisions as described in note 1 to the Financial Statements. Prior year balances have been re-presented to ensure comparability.

The notes on pages 142 to 194 form an integral part of these Financial Statements.

Notes to the Financial Statements

Year ended 30 June 2022

1 Basis of preparation

Introduction

The Financial Statements for the Group and Company have been prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006. On 31 December 2020, IFRS as adopted by the European Union at that date were brought into UK law and became UK adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group and Company Financial Statements have, therefore, been prepared in accordance with UK adopted IFRS as issued by the IASB. The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of share-based payments.

Group accounting policies

The significant Group accounting policies are included within the relevant notes to the Financial Statements on pages 142 to 194.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, actual results may ultimately differ from those estimates. The Directors have made no individual 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 Financial Statements are:

- Margin recognition – see note 3; and
- Costs associated with legacy properties – see note 21.

Basis of consolidation

The Group Financial Statements include the results of Barratt Developments PLC (the 'Company'), a public company limited by shares and incorporated in the United Kingdom, and all of its subsidiary undertakings, made up to 30 June. The Financial Statements of subsidiary undertakings are consolidated from the date that control passes to the Group, using the acquisition method of accounting and up to the date control ceases. All transactions with subsidiaries and intercompany profits or losses are eliminated on consolidation.

Going concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Group and Company can continue to meet their liabilities and other obligations for the foreseeable future.

The Group's business activities, together with factors that the Directors consider are likely to affect its development, financial performance and financial position, are set out in the Strategic Report on pages 2 to 73. The material financial and operational risks and uncertainties that may affect the Group's performance and their mitigation are outlined on pages 54 to 57, and financial risks including liquidity, market, credit and capital risks are outlined in note 31 to the Financial Statements.

At 30 June 2022, the Group held cash of £1,352.7m and total loans and borrowings of £217.3m, consisting of £17.3m of overdrafts repayable on demand and £200.0m Sterling USPP notes maturing in August 2027. These balances, set against pre-paid facility fees, comprise the Group's net cash of £1,138.6m, presented in note 19.

Should further funding be required, the Group has a committed £700.0m RCF, subject to compliance with certain financial covenants, that matures in November 2025.

As such, in consideration of its net current assets of £5,183.6m, the Directors are satisfied that the Group has sufficient liquidity to meet its current liabilities and working capital requirements.

Whilst the underlying fundamentals of the housing market remain attractive, with the Government restating its commitment to address the historical undersupply of new homes, uncertainty in the current market has increased. This has arisen from the ongoing impact of inflation on material costs and mortgage affordability, supply chain disruption and industry-specific challenges, such as the potential for further building safety or greenhouse gas emissions legislation or the withdrawal of Help to Buy from March 2023, which may impact reservations from Autumn 2022. These, and other economic disruptions, could result in flat or negative economic growth, reduced buyer confidence, reduced mortgage availability and affordability, falls in house prices or land values and cost increases associated with raw materials, suppliers, subcontractors and employees.

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 Financial Statements.

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

1 Basis of preparation CONTINUED

This exercise included a reasonable worst-case scenario in which the Group's principal risks manifest in aggregate to a severe but plausible level. This assumed that average selling prices fall by 10%, sales volumes fall by 15% and construction costs increase by between 5% and 9% from the base forecasts, in addition to the implementation of a building safety level and the acceleration of regulatory changes to reduce indirect greenhouse gas emissions.

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

Furthermore, a reverse stress test was performed to determine the market conditions in which the Group, without mitigating action, would cease to be able to operate under its current facilities within 12 months from the date of signing of these Financial Statements. 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 there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing of these Financial Statements. For this reason, they continue to adopt the going concern basis in the preparation of these Financial Statements.

Application of accounting standards

During the year ended 30 June 2022, the Group has applied accounting policies and methods of computation consistent with those applied in the prior year with the exception of the following:

- IAS 37 'Provisions, Contingent Liabilities and Contingent Assets': The Group holds a liability to cover further costs that are required to complete a development after all homes have been legally completed. This requires an assessment of the cost to complete and has historically been presented within trade and other payables. Increasing difficulty in obtaining adoption of infrastructure and open spaces has increased uncertainty over the timing and amount of these costs. In accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', it is now deemed appropriate to present these liabilities as provisions.

To ensure comparability, the relevant prior year balances have also been re-presented as provisions as at 30 June 2021 and 1 July 2020. The impact of this change at 30 June 2021 is to increase provisions by £142.3m and decrease trade and other payables by £142.3m, and at 1 July 2020 is to increase provisions by £130.2m and decrease trade and other payables by £130.2m, all within Current Liabilities in the Group's Balance Sheet. The movements in payables and provisions within the Cash Flow Statement for the year ended 30 June 2021 have been re-presented accordingly. This has had no impact on net assets or earnings per share.

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

- Amendment to IFRS 4: 'Extension of the Temporary Exemption from applying IFRS 9';
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: 'Interest Rate Benchmark Reform – Phase 2'; and
- Amendment to IFRS 16: 'COVID-19-Related Rent Concessions beyond June 2021'.

Impact of standards and interpretations in issue but not yet effective

At the date of approval of these Financial Statements, there were a number of standards, amendments and interpretations that have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2022 and later periods. None of these are expected to have a material impact on the Group. The Group has not early adopted any standard, amendment or interpretation.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

2 Revenue

The Group's revenue derives principally from the sale of the homes we build.

Revenue from the sale of residential and commercial properties

Revenue is recognised at legal completion in respect of the total proceeds of building and development. Revenue is measured at the fair value of consideration received or receivable and represents the amounts receivable for the property, net of discounts and VAT.

Revenue on contracts recognised over time

The Group considers all contracts with commercial customers and registered providers for affordable housing on a contract by contract basis and determines the appropriate revenue recognition based on the particular terms of that contract. For the majority of such contracts, there is a single performance obligation for which revenue is recognised at a point in time, when construction has been completed and control is transferred to the customer. The Group recognises revenue over time in relation to certain contracts with registered providers only in circumstances in which control of the associated land is transferred to the customer before or during construction. Revenue is only recognised from the point at which control of the associated land is transferred. Revenue is recognised because the construction activity enhances an asset that is controlled by the customer.

Where the outcome of a contract on which revenue is recognised over time can be estimated reliably, revenue is recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. The Group is satisfied that it is appropriate to measure performance by reference to surveys of work performed to date, because these surveys identify the extent to which benefits have been transferred to the customer. Variations to, and claims arising in respect of such contracts are included in revenue to the extent that they have been agreed with the customer. Where the outcome of a contract on which revenue is recognised over time cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred. When it is probable that the total costs on a contract will exceed total contract revenue, the expected loss is immediately recognised as an expense in the Income Statement.

Other revenue

Revenue from separate contracts related to the development of homes is recognised on completion of the performance obligation to which it relates and included in other revenue. Revenue from warranties is recognised on a straight-line basis over the warranty period. Revenue from commercial contract management fees is recognised in the period in which it becomes receivable and included within other revenue. Revenue from planning promotion agreements is recognised at the point at which contractual obligations are satisfied.

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

| | Residential completions ¹ | | Revenue | |
|--|--------------------------------------|----------------|----------------|------------|
| | 2022 number | 2021 number | 2022 £m | 2021 £m |
| Revenue from private residential sales | 13,327 | 13,134 | 4,541.3 | 4,274.6 |
| Revenue from affordable residential sales | 3,835 | 3,383 | 611.4 | 495.5 |
| Revenue from commercial sales | - | - | 87.6 | 21.7 |
| Revenue from planning promotion agreements | - | - | 23.3 | - |
| Other revenue | - | - | 4.3 | 19.9 |
| | 17,162 | 16,517 | 5,267.9 | 4,811.7 |

¹ Residential completions exclude JV completions of 746 homes (2021: 726) in which the Group has an interest.

Included within Group revenue is £75.0m (2021: £69.1m) of revenue from construction contracts on which revenue is recognised over time by reference to the stage of completion of the contracts (note 22). Of this amount, £5.3m (2021: £10.1m) was included in the contract liability balance at the beginning of the year.

Revenue includes £171.3m (2021: £324.8m) of revenue generated where the sale has been achieved using part-exchange incentives. Proceeds received on the disposal of part-exchange properties are not included in revenue on the basis that they are incidental to the main revenue-generating activities of the Group.

3 Profit from operations

Profit from operations includes all of the revenue and costs derived from the Group's operating businesses. Profit from operations excludes finance costs, finance income, the Group's share of profits or losses from JVs and associates and tax.

Margin recognition

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

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

Management have performed a sensitivity analysis to assess the impact of a change in estimated costs for developments on which sales were recognised in the year. A 9% 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 adjusted gross profit by £296.0m, a reduction in adjusted gross margin of 562 bps.

Depreciation of right-of-use assets

Right-of-use assets are depreciated in the Income Statement in equal instalments to the earlier of the end of the lease term or the end of the useful life of the asset.

Part-exchange income and expenses

Income on the sale of a part-exchange property is recognised at legal completion at the fair value of consideration received or receivable for the property.

Part-exchange properties are recognised in inventories at the lower of cost, being their fair value at acquisition, and their net realisable value. The amount of any write-down of inventories to net realisable value, or reversal of a previous write-down, is recognised in the Income Statement in the period in which it occurs.

The carrying amount of a part exchange property is recognised as an expense in the period in which the related income is recognised. Maintenance costs are recognised in the Income Statement in the period in which they are incurred.

Profit from operations is stated after charging/(crediting):

| | Notes | 2022 £m | 2021 £m |
|--|-------|----------------|------------|
| Cost of inventories recognised as an expense in cost of sales | | 3,761.9 | 3,537.9 |
| Employee costs (including Directors) ¹ | 5 | 492.7 | 445.1 |
| Adjusted items: | | | |
| Government grants repaid | 4 | - | 26.0 |
| Costs associated with legacy properties | 4 | 433.2 | 81.9 |
| Amounts associated with legacy properties recovered from third parties | 4 | (25.0) | - |
| Depreciation of property, plant and equipment | 15 | 6.2 | 5.8 |
| Depreciation of right-of-use assets | 16 | 13.0 | 13.8 |

¹ The employee costs reported above are before adjustment for government grants repaid in respect of these costs of £nil (2021: £26.0m) (see note 5).

Profit from operations is stated after charging the Directors' emoluments disclosed in the Remuneration Report on pages 115 to 121 and in note 5.

The Group does not recognise income from supplier rebates until it can be calculated reliably and it is certain that it will be received from suppliers. During the year, £31.5m (2021: £22.2m) of supplier rebate income was included within profit from operations.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

3 Profit from operations CONTINUED

Administrative expenses

Administrative expenses of £256.4m (2021: £204.4m) include sundry income of £21.2m (2021: £24.5m), which principally comprises management fees receivable from JVs, the sale of freehold reversions and ground rent receivable.

Auditor's remuneration

The remuneration paid to Deloitte LLP, the Group's principal auditor, is disclosed below:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Fees payable to the Company's auditor for the audit of the Company and Consolidated Financial Statements | 680 | 411 |
| Fees payable to the Company's auditor for the audit of the Company's subsidiaries | 262 | 305 |
| Total audit fees | 942 | 716 |
| Audit-related assurance services ¹ | 37 | 35 |
| Other services ² | 210 | – |
| Total fees for other services | 247 | 35 |
| Total fees related to the Company and its subsidiaries | 1,189 | 751 |

¹ Audit-related assurance services comprise the review of the interim report.

² Other services comprise assurance services over selected ESG metrics and compliance with the recommendations of the TCFD and review procedures over selected non-financial disclosures in the Annual Report.

Details of the Group's policy on the use of the Company's principal auditor for non-audit services and auditor independence are set out in the Audit Committee Report on pages 95 and 96. No services were provided under contingent fee arrangements.

In addition to the remuneration paid to the Company's auditor for services related to the Company and its subsidiaries, the auditor received the following remuneration from JVs in which the Group participates:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| The audit of the Group's JVs pursuant to legislation | 227 | 162 |
| Audit-related assurance services ¹ | – | 10 |
| Total fees related to joint ventures | 227 | 172 |

¹ Audit-related assurance services comprise reporting to the auditors of our JV partners.

4 Adjusted items

Adjusted items

Items that are material to the Group in aggregate and have arisen from one-off or unusual circumstances that could not reasonably have been expected to arise from normal trading are presented as adjusted items in the table below the Income Statement. The Directors are of the opinion that the separate presentation of adjusted items provides helpful information about the Group's underlying business performance. Examples of events that may give rise to the classification of items as adjusted are charges or credits in respect of legacy properties, the restructuring of existing and newly acquired businesses, and certain government grants.

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Costs incurred in respect of legacy properties | 433.2 | 81.9 |
| Amounts in respect of legacy properties recovered from third parties | (25.0) | – |
| CJRS grant income repaid | – | 22.8 |
| Adjusted items in cost of sales | 408.2 | 104.7 |
| CJRS grant income repaid | – | 3.2 |
| Adjusted items in administrative expenses | – | 3.2 |
| Costs incurred in respect of legacy properties by joint ventures | 4.3 | (0.4) |
| Adjusted items in share of profit/loss from JVs | 4.3 | (0.4) |
| Total adjusted items | 412.5 | 107.5 |

Cost associated with legacy properties:

The adjusted costs in the year, associated with legacy properties, comprise additions to provisions of £448.0m, provision releases of £15.8m, costs expensed directly to the Income Statement of £1.0m and reimbursements recognised directly in the income statement of £25.0m. Further details of provisions movements are provided in note 21.

4 Adjusted items CONTINUED

CJRS grant repayment:

During the year ended 30 June 2020, the Group recognised grant income of £26.0m in respect of the UK Government's CJRS. This was a temporary scheme from which the income was voluntarily refunded by the Group during the year ended 30 June 2021. Both the income and the repayment of the grant were presented as adjusted items in prior years.

5 Key management, employees and retirement benefit obligations

Key management and employees

Key management personnel, as defined under IAS 24 'Related Party Disclosures', have been identified as the Board of Directors, as the controls operated by the Group ensure that all key decisions are reserved for the Board. Detailed disclosures of individual remuneration, pension entitlements and share options for those Directors who served during the year are given in the audited sections within the Remuneration Report on pages 115 to 121.

A summary of key management remuneration is as follows:

| | 2022 £m | 2021 £m |
|--|------------|-------------|
| Salaries and fees (including pension compensation) | 2.9 | 2.8 |
| Social security costs ¹ | 1.1 | 1.6 |
| Performance bonus | 2.5 | 2.6 |
| Benefits | 0.1 | 0.1 |
| Share-based payments ² | 2.6 | 3.6 |
| Total | 9.2 | 10.7 |

¹ Excluded from the Executive Directors' and Non-Executive Directors' single figure of remuneration tables on page 115.

² IFRS 2 'Share-Based Payment' charge attributable to key management.

Total employee numbers and costs are as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2022 Number | 2021 Number | 2022 Number | 2021 Number |
| Average employee numbers (excluding sub-contractors, including Directors) | 6,564 | 6,422 | 412 | 365 |

| | Notes | Group | | Company | |
|--|-------|--------------|------------|-------------|------------|
| | | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Employee costs (including Directors): | | | | | |
| Wages and salaries including bonuses | | 402.7 | 362.0 | 45.2 | 41.4 |
| Redundancy costs | | 0.7 | 0.9 | 0.2 | 0.4 |
| Social security costs | | 50.2 | 45.6 | 8.3 | 8.0 |
| Other pension costs | | 14.9 | 16.2 | 1.6 | 3.7 |
| Share-based payments | 27 | 24.2 | 20.4 | 9.0 | 9.6 |
| Employee costs before grant repayment | | 492.7 | 445.1 | 64.3 | 63.1 |
| CJRS grant repayment | 4 | – | 26.0 | – | 0.6 |
| Employee costs for the year | | 492.7 | 471.1 | 64.3 | 63.7 |

The majority of the costs of the Company's employees are charged to other Group companies.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

5 Key management, employees and retirement benefit obligations CONTINUED

Retirement benefit obligations

The Group operates several defined contribution pension schemes.



Defined contribution schemes

The Group's contributions to the schemes are charged in the Income Statement in the year in which the contributions fall due.

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

| | 2022 £m | 2021 £m |
|--|------------|------------|
|--|------------|------------|

Contributions during the year

| | | |
|--|------|------|
| Group defined contribution schemes' consolidated Income Statement charge | 14.9 | 13.9 |
|--|------|------|

At the balance sheet date, there were outstanding contributions of £2.3m (2021: £1.9m), which were paid on or before the due date.

The Group previously sponsored a funded defined benefit pension scheme in Great Britain (the 'Scheme') which, with effect from 30 June 2009, ceased to offer future accrual of defined benefit pensions. On 16 June 2020, the Trustees entered into a bulk annuity insurance contract with an insurer in respect of the liabilities of the Scheme (a 'buy-in'). During the year to 30 June 2021, the insurer assumed responsibility for each of the previously bought-in benefits of Scheme members (a 'buy-out'). This has resulted in the discharge of all Scheme liabilities from the Group and the disposal of all Scheme assets.

6 Net finance costs



Finance costs and income

The Group recognises finance costs and income on bank borrowings, deposits and other borrowings in the Income Statement in the period to which they relate.

| | 2022 £m | 2021 £m |
|--|------------|------------|
|--|------------|------------|

Recognised in the consolidated Income Statement:

Finance income

| | | |
|---|--------------|--------------|
| Finance income on short-term bank deposits | (1.9) | (0.5) |
| Finance income related to employee benefits | - | (0.1) |
| Other interest receivable | (0.6) | (0.8) |
| | (2.5) | (1.4) |

Finance costs

| | | |
|--|-------------|-------------|
| Interest on loans and borrowings | 9.5 | 9.8 |
| Imputed interest on deferred term payables | 14.4 | 13.7 |
| Finance charge on leased assets | 0.9 | 1.3 |
| Amortisation of facility fees | 4.0 | 2.0 |
| Other interest payable | 1.3 | 1.2 |
| | 30.1 | 28.0 |

Net finance costs

| | | |
|--|-------------|-------------|
| | 27.6 | 26.6 |
|--|-------------|-------------|

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

| | Group | | Company | |
|------------|-----------|-----------|-----------|-----------|
| | 2022 % | 2021 % | 2022 % | 2021 % |
| USPP notes | 2.8 | 2.8 | 2.8 | 2.8 |

7 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, inclusive of RPDT, of 20.0% (2021: 19.0%) and by the Company at a standard effective rate of 19.0% (2021: 19.0%) The closing deferred tax assets and liabilities have been provided in these Financial Statements at a rate of 19.0% – 29.0% (2021: 19.0% – 25.0%) of the temporary differences giving rise to these assets and liabilities.



Tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.



Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantively enacted by the balance sheet date, and is charged or credited to the Income Statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in JVs, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tax recognised in the Income Statement

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

| | 2022 £m | 2021 £m |
|--|--------------|--------------|
| Analysis of the tax charge for the year | | |
| Current tax: | | |
| UK corporation tax for the year | 122.9 | 155.1 |
| Residential property developer tax for the year | 6.3 | - |
| Adjustment in respect of previous years | (8.2) | (12.7) |
| | 121.0 | 142.4 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 2.2 | (3.5) |
| Adjustment in respect of previous years | 2.6 | 7.8 |
| Impact of change in corporation tax rate | (1.2) | 5.4 |
| Impact of introduction of residential property developer tax | 2.5 | - |
| | 6.1 | 9.7 |
| Tax charge for the year | 127.1 | 152.1 |

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

7 Tax CONTINUED

Factors affecting the tax charge for the year

The tax rate assessed for the year is lower (2021: lower) than the standard effective rate of corporation tax in the UK of 20.0% (inclusive of RPDT) (2021: 19.0%). The differences are explained below:

| | 2022 £m | 2021 £m |
|---|--------------|------------|
| Profit before tax | 642.3 | 812.2 |
| Profit before tax multiplied by the standard rate of corporation tax of 20.0% (inclusive of RPDT) (2021: 19.0%) | 128.5 | 154.3 |
| Effects of: | | |
| Other items including non-deductible expenses and non-taxable income | 5.0 | (0.9) |
| Additional tax relief for land remediation costs | (2.1) | (1.8) |
| Adjustment in respect of previous years | (5.6) | (4.9) |
| Impact of change in corporation tax rate | (1.2) | 5.4 |
| Impact of residential property developer tax | 2.5 | – |
| Tax charge for the year | 127.1 | 152.1 |

The UK corporation tax rate will increase from 19% to 25% with effect from 1 April 2023. Legislation to increase the corporation tax rate was enacted during the 30 June 2021 accounting period and the impact on deferred tax was taken into account at the previous balance sheet date.

The Finance Act 2022 received Royal Assent on 24 February 2022 introducing a new residential property developer tax ('RPDT') which is effective from 1 April 2022 and is chargeable at 4% of profits generated from residential property development in excess of an annual threshold. RPDT was introduced by HM Treasury to obtain a contribution from the UK's largest residential property developers towards the cost of remediating defective cladding in the UK's high-rise housing stock and is expected to remain in force for up to ten years. RPDT will apply to the majority of the Group's profits.

Tax recognised in equity

In addition to the amount charged to the Consolidated Income Statement, a net current and deferred tax charge of £0.9m (2021: £3.3m credit) was recognised directly in equity.

Deferred tax

All deferred tax relates to the UK and is stated on a net basis as the Group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis. The Group recognised a net deferred tax liability with the following movements in the year:

| | Group | | | | | | | |
|--------------------------------------|----------------------|---------------------|--------------|---------------|--------------------------------------|--------------------------|-------------------|---------------|
| | Pension scheme £m | Share options £m | Losses £m | Brands £m | Accelerated capital allowances £m | Customer Contracts £m | Other (net) £m | Total £m |
| At 1 July 2020 | (0.7) | 2.6 | 0.1 | (19.0) | 0.7 | – | 13.9 | (2.4) |
| Year ended 30 June 2021: | | | | | | | | |
| Income Statement (charge)/credit | 0.4 | 3.2 | (0.1) | (6.0) | 0.2 | – | (7.4) | (9.7) |
| Amounts taken directly to equity | 0.4 | 2.8 | – | – | – | – | – | 3.2 |
| At 30 June 2021 | 0.1 | 8.6 | – | (25.0) | 0.9 | – | 6.5 | (8.9) |
| Comprising: | | | | | | | | |
| Deferred tax assets | 0.1 | 8.6 | – | – | 0.9 | – | 6.5 | 16.1 |
| Deferred tax liabilities | – | – | – | (25.0) | – | – | – | (25.0) |
| Year ended 30 June 2022: | | | | | | | | |
| Income Statement (charge)/credit | (0.1) | (2.1) | – | (4.0) | (0.4) | – | 0.5 | (6.1) |
| Acquired with subsidiary undertaking | – | – | – | (2.7) | – | (24.7) | – | (27.4) |
| Amounts taken directly to equity | – | (2.7) | – | – | – | – | – | (2.7) |
| At 30 June 2022 | – | 3.8 | – | (31.7) | 0.5 | (24.7) | 7.0 | (45.1) |
| Comprising: | | | | | | | | |
| Deferred tax assets | – | 3.8 | – | – | 0.5 | – | 5.7 | 10.0 |
| Deferred tax liabilities | – | – | – | (31.7) | – | (24.7) | 1.3 | (55.1) |

7 Tax CONTINUED

The deferred tax liability in respect of indefinite life and other brands represents the amount of tax that would become due if the brands were sold at their book value. There is no intention to sell the indefinite life brands in the foreseeable future and it is not anticipated that any of the deferred tax liability in respect of the indefinite life brands will reverse in the 12 months following the balance sheet date. The deferred tax asset in respect of share schemes represents an estimate of the future tax deduction available on the exercise or vesting of awards under those schemes.

While it is anticipated that an element of the remaining deferred tax assets and liabilities will reverse during the 12 months following the balance sheet date, at present it is not possible to accurately quantify the value of all of these reversals.

In addition to the deferred tax liability shown above, the Group has not recognised a deferred tax asset of £2.1m (2021: £2.6m) in respect of capital and other losses amounting to £10.0m (2021: £13.9m) because these are not considered recoverable in the foreseeable future.

The Company recognised a net deferred tax asset with the following movements in the year:

| | Company | | | | |
|----------------------------------|----------------------|---------------------|--------------------------------------|-------------------|--------------|
| | Pension scheme £m | Share options £m | Accelerated capital allowances £m | Other (net) £m | Total £m |
| At 1 July 2020 | (0.7) | 0.6 | 0.7 | 0.4 | 1.0 |
| Year ended June 2021: | | | | | |
| Income Statement (charge)/credit | 0.4 | 1.9 | 0.1 | (0.2) | 2.2 |
| Amounts taken directly to equity | 0.4 | 1.1 | – | – | 1.5 |
| At 30 June 2021 | 0.1 | 3.6 | 0.8 | 0.2 | 4.7 |
| Comprising: | | | | | |
| Deferred tax assets | 0.1 | 3.6 | 0.8 | 0.2 | 4.7 |
| Year ended 30 June 2022: | | | | | |
| Income Statement (charge)/credit | (0.1) | (1.3) | 0.6 | 0.3 | (0.5) |
| Amounts taken directly to equity | – | (1.0) | – | – | (1.0) |
| At 30 June 2022 | – | 1.3 | 1.4 | 0.5 | 3.2 |
| Comprising: | | | | | |
| Deferred tax assets | – | 1.3 | 1.4 | 0.5 | 3.2 |

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

8 Earnings per share

The earnings per share from continuing operations were as follows:

| | 2022 pence | 2021 pence |
|-------------------------------------|---------------|---------------|
| Basic earnings per share | 50.6 | 64.9 |
| Diluted earnings per share | 49.8 | 64.0 |
| Adjusted basic earnings per share | 83.0 | 73.5 |
| Adjusted diluted earnings per share | 81.7 | 72.5 |

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

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

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

| | 2022 | 2021 |
|--|---------|---------|
| Profit attributable to ordinary shareholders of the Company (£m) | 515.1 | 659.8 |
| Adjusted items (£m) | 412.5 | 107.5 |
| Tax on adjusted items (£m) | (82.5) | (20.4) |
| Adjusted profit attributable to ordinary shareholders of the Company (£m) | 845.1 | 746.9 |
| Weighted average number of shares in issue (million) | 1,021.9 | 1,018.3 |
| Weighted average number of shares in EBT (million) | (3.2) | (1.9) |
| Weighted average number of shares for basic earnings per share (million) | 1,018.7 | 1,016.4 |
| Weighted average number of shares in issue (million) | 1,021.9 | 1,018.3 |
| Adjustment to assume conversion of all potentially dilutive shares (million) | 12.4 | 12.5 |
| Weighted average number of shares for diluted earnings per share (million) | 1,034.3 | 1,030.8 |

9 Dividends

| | 2022 £m | 2021 £m |
|--|--------------|-------------|
| Amounts recognised as distributions to equity shareholders in the year: | | |
| Final dividend for the year ended 30 June 2021 of 21.9p (2020: 0.0p) per share | 223.0 | – |
| Interim dividend for the year ended 30 June 2022 of 11.2p (2021: 7.5p) per share | 114.0 | 76.3 |
| Total dividends distributed to equity shareholders in the year | 337.0 | 76.3 |
| | 2022 £m | 2021 £m |
| Proposed final dividend for the year ended 30 June 2022 of 25.7p (2021: 21.9p) per share | 261.4 | 222.7 |

The final dividend of 25.7 pence per share was approved by the Board on 6 September 2022 and has not been included as a liability as at 30 June 2022.

10 Business combinations

Consolidation

The Financial Statements of subsidiary undertakings are consolidated from the date when control passes to the Group, as defined in IFRS 3, using the acquisition method of accounting up to the date control ceases. All of the subsidiaries' identifiable assets and liabilities, including contingent liabilities, existing at the date of acquisition are recorded at their fair values. All changes to those assets and liabilities, and the resulting gains and losses that arise after the Group has gained control of the subsidiary are included in the Income Statement. All intra-Group transactions and intercompany profits or losses are eliminated on consolidation.

A full list of the subsidiary undertakings of the Group and Company is included in note 33.

Group acquisition of subsidiary undertaking

On 31 January 2022, the Group acquired 100% of the share capital of Gladman Developments Limited ('Gladman'). Gladman is a land promoter operating in the UK, with particular strength in the south of England. Further details on the strategic rationale for the acquisition are included in the Strategic Report on page 16.

Details of the purchase consideration, net assets acquired and the resulting goodwill are as follows:

| | 2022 £m |
|---|------------------|
| Cash paid | 218.4 |
| Total purchase consideration | 218.4 |
| | Fair value £m |
| Net assets and liabilities recognised as a result of the acquisition | |
| Intangible assets | 109.7 |
| Tangible fixed assets | 1.3 |
| Investments | 1.4 |
| Inventories | 100.5 |
| Trade and other receivables | 83.7 |
| Cash | 12.8 |
| Trade and other payables | (110.7) |
| Corporation tax asset | 0.1 |
| Deferred tax liability | (27.4) |
| Net identifiable assets acquired | 171.4 |
| Goodwill | 47.0 |
| Net assets acquired | 218.4 |

The assets and liabilities acquired have been recognised at their acquisition date provisional fair values which may be amended during the 12 months following acquisition. The fair value of trade and other receivables is equal to the gross contractual amounts receivable.

Goodwill represents the value of intangible assets that do not qualify for separate recognition under accounting standards.

Revenue of £23.3m and a profit contribution of £9.5m are recognised in the Consolidated Income Statement in respect of Gladman. If the acquisition had occurred on 1 July 2021, consolidated pro-forma revenue and profit for the year ended 30 June 2022, based on Gladman's results for the year adjusted for intercompany transactions and differences in accounting policies, would have been £5,282.5m and £510.3m respectively.

Acquisition costs of £4.5m are included in administrative expenses in the Consolidated Income Statement and in operating cash flows in the Cash Flow Statement. Included within the Group's Consolidated Income Statement for the year are £4.3m of amortisation of the intangible assets recognised on acquisition and £1.4m in relation to deferred consideration recognised as employee remuneration.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

10 Business combinations CONTINUED

The Group's cash outflow in respect of the acquisition is as follows:

| | 2022 £m |
|--|------------|
| Cash consideration | 218.4 |
| Cash balances acquired | (12.8) |
| Net outflow of cash – investing activities | 205.6 |

There were no acquisitions in the year ended 30 June 2021.

11 Goodwill and other intangible assets

Goodwill

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the separately identifiable net assets and liabilities acquired.

Goodwill arising on the acquisition of subsidiary undertakings and businesses is capitalised as an asset but reviewed for impairment at least annually.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination at acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in the Income Statement and is not subsequently reversed.

| | Group | |
|--|------------|------------|
| | 2022 £m | 2021 £m |
| Cost | | |
| At 1 July | 830.4 | 830.4 |
| Arising on acquisition during the year | 47.0 | – |
| At 30 June | 877.4 | 830.4 |
| Accumulated impairment losses | | |
| At 1 July and 30 June | 24.5 | 24.5 |
| Carrying amount | | |
| At 30 June | 852.9 | 805.9 |

During the year, the Group acquired all of the share capital of Gladman Developments Limited (note 10). Goodwill of £47.0m arising on the acquisition has been capitalised and allocated to the Group's acquired land promotion business.

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

11 Goodwill and other intangible assets CONTINUED

Other intangible assets – Brands

Brands

The Group has capitalised, as intangible assets, brands that have been acquired. Acquired brand values are calculated using discounted cash flows. Where a brand is considered to have a finite life, it is amortised over its useful life on a straight-line basis. Where a brand is capitalised with an indefinite life, it is not amortised. The factors that contribute to the durability of brands capitalised are that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangible assets. Internally generated brands are not capitalised.

The Group carries out an annual impairment review of indefinite life brands as part of the review of the carrying value of goodwill, by performing a value-in-use calculation, using a discount factor based upon the Group's pre-tax weighted average cost of capital.

Customer contract relationships

The Group has capitalised, as intangible assets, acquired customer contract relationships. Customer contract relationships are valued at the present value of future cash flows and are amortised on a straight-line basis over ten years. Internally generated customer contract relationships are not capitalised.

Customer contracts

The Group has capitalised, as intangible assets, acquired customer contracts. Customer contracts are valued at the present value of future cash flows less contributory asset charges and are amortised on a straight-line basis in line with contract relationships at the acquisition date.

| | | | | | | | Group | |
|--------------------------|------------|------------|---------------------------------|------------|--------------------|------------|------------|------------|
| | Brands | | Customer contract relationships | | Customer contracts | | Total | |
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Cost | | | | | | | | |
| At 1 July | 107.9 | 107.9 | 1.4 | 1.4 | – | – | 109.3 | 109.3 |
| Acquired in the year | 10.8 | – | – | – | 98.9 | – | 109.7 | – |
| Amounts written off | – | – | (1.4) | – | – | – | (1.4) | – |
| At 30 June | 118.7 | 107.9 | – | 1.4 | 98.9 | – | 217.6 | 109.3 |
| Amortisation | | | | | | | | |
| At 1 July | 7.9 | 7.5 | 1.4 | 0.7 | – | – | 9.3 | 8.2 |
| Amortisation in the year | 0.2 | 0.4 | – | 0.7 | 4.1 | – | 4.3 | 1.1 |
| Amounts written off | – | – | (1.4) | – | – | – | (1.4) | – |
| At 30 June | 8.1 | 7.9 | – | 1.4 | 4.1 | – | 12.2 | 9.3 |
| Carrying amount | | | | | | | | |
| At 30 June | 110.6 | 100.0 | – | – | 94.8 | – | 205.4 | 100.0 |

The Group does not amortise the housebuilding brand acquired with Wilson Bowden, being David Wilson Homes, valued at £100.0m, as the Directors consider that this brand has an indefinite useful economic life due to the Group intending to hold and support the brand for an indefinite period, and there are no factors that would prevent it from doing so.

During the year, in its acquisition of Gladman Developments Limited, the Group acquired brands valued at £10.8m and customer contracts valued at £98.9m. The customer contracts are amortised on a straight-line basis over the expected life of the contracts, the brands acquired in the year are amortised on a straight-line basis over a 20 year period.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

11 Goodwill and other intangible assets CONTINUED

Impairment of goodwill and indefinite life brands

The Group conducts an annual impairment review of goodwill and its indefinite life brand, David Wilson Homes.

Impairment of goodwill and indefinite life brands

Impairment reviews for goodwill and the Group's indefinite life brand require an estimation of the value in use of the cash-generating units to which these assets are allocated. The value-in-use calculations require an estimate of expected future cash flows, including the anticipated growth rate of revenue and costs, and require the determination of a suitable discount rate to calculate the present value of the cash flows. The financial forecasts used reflect the outcomes that management consider most likely, based on the information available at the date of signing of these Financial Statements.

Goodwill and indefinite life brands allocated to housebuilding

An impairment review was performed at 30 April 2022 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 expected future cash flows of the housebuilding business. The first three years of cash flows were determined using the Group's approved detailed business plan. The cash flows for the fourth and fifth years were determined using Group-level internal forecast cash flows based upon expected volumes, selling prices and margins, taking into account available land purchases and work-in-progress levels. The cash flows for year six onwards were extrapolated in perpetuity using an estimated growth rate of 1%, based upon the historical long-term growth rate of the UK economy.

The key assumptions for the value-in-use calculation for the housebuilding business were:

- expected changes in selling prices for completed houses and the related impact on operating margin: these are determined on a site-by-site basis in the Group's approved business plan dependent upon local market conditions and product type. For subsequent years, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, considering external market forecasts;
- sales volumes: these are determined on a site-by-site basis in the Group's approved business plan dependent upon local market conditions, land availability and planning permissions. For subsequent years, these have been estimated at a Group level based on past experience and expectations of future changes in the market, taking into account external market forecasts;
- expected changes in site costs to complete: these are determined on a site-by-site basis in the Group's approved business plan dependent upon the expected costs of completing all aspects of each individual development. For subsequent years, these have been estimated at a Group level based on past experience and expectations of future changes in the market, taking into account external market forecasts; and
- discount rate: this is a pre-tax rate reflecting the Group's target capital structure, risks appropriate to the housebuilding business and current market assessments of the time value of money. A rate of 14.9% (2021: 11.8%) is considered by the Directors to be the appropriate pre-tax discount rate.

The result of the value-in-use exercise concluded that the recoverable value of goodwill and intangible assets allocated to the housebuilding business exceeded its carrying value by £1,780.4m (2021: £1,861.2m) and there has been no impairment.

Goodwill allocated to land promotion

An impairment review was performed at 30 June 2022 by comparing the value in use of the land promotion business to the carrying value of its tangible and intangible assets and allocated goodwill.

The value in use was determined by discounting the expected future cash flows of the land promotion business. The first two years of cash flows were determined using the business's approved detailed business plan. The cash flows for year three onwards were extrapolated in perpetuity using an estimated growth rate of 1%, based upon the historical long-term growth rate of the UK economy.

The key assumptions for the value-in-use calculation were the expected sales values achieved under land promotion agreements, based on current market values for similar land, costs required to fulfil customer contracts, and the discount rate of 15.0%, being a pre-tax rate reflecting the risks appropriate to the land promotion business and current market assessments of the time value of money.

The result of the value-in-use exercise concluded that the recoverable value of goodwill allocated to the land promotion business exceeded its carrying value by £9.6m and there has been no impairment.

12 Company investments in subsidiary undertakings

Company investments

The Company's interests in subsidiary undertakings are accounted for at cost less accumulated provision for impairment.

Where share-based payments are granted to the employees of subsidiary undertakings by the Company, they are treated as a capital contribution to the subsidiary and the Company's investment in the subsidiary is increased accordingly.

| | Company | |
|--|----------------|---------|
| | 2022 | 2021 |
| | £m | £m |
| Cost | | |
| At 1 July | 3,175.6 | 3,173.8 |
| Increase in investment in subsidiaries related to share-based payments | 4.5 | 1.8 |
| At 30 June | 3,180.1 | 3,175.6 |
| Impairment | | |
| At 1 July and 30 June | 87.6 | 87.6 |
| Net book value | | |
| At 1 July | 3,088.0 | 3,086.2 |
| At 30 June | 3,092.5 | 3,088.0 |

13 Investments in jointly controlled entities

A jointly controlled entity (joint venture, or 'JV') is an entity, including an unincorporated entity such as a partnership, in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity. An associated entity is an entity, including an unincorporated entity such as a partnership, in which the Group holds a significant influence and that is neither a subsidiary nor an interest in a JV.

Jointly controlled and associated entities

Investments in JVs and associated entities are accounted for using the equity method of accounting.

The Group's share of the profit or loss of JVs and associated entities increase or decrease the carrying amount of the investment and long-term interests.

| | Group | |
|--|---------------|--------|
| | 2022 | 2021 |
| | £m | £m |
| JVs and associates | | |
| At 1 July | 163.1 | 152.1 |
| Increase in amounts invested in JVs | 17.9 | 7.9 |
| Repayment of investments in JVs | (9.9) | (3.4) |
| Dividends received from JVs | (16.5) | (21.2) |
| Share of post-tax profit for the year from JVs | 23.3 | 27.7 |
| At 30 June | 177.9 | 163.1 |

There are no losses in any of the Group's JVs or associates that have not been recognised by the Group.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

13 Investments in jointly controlled entities CONTINUED

During the year the Group entered into a new JV agreement, Wembley Park Properties LLP. At 30 June 2022, the Group had interests in the following jointly controlled entities:

| JV | Percentage owned | Voting rights controlled | Country of registration | Principal place of business | Principal activity | Financial year end date |
|--|------------------|--------------------------|-------------------------|-----------------------------|------------------------|-------------------------|
| 51 College Road LLP | 50.0% | 50.0% | England and Wales | UK | Housebuilding | 31 March* |
| Alie Street LLP ¹ | 50.0% | 50.0% | England and Wales | UK | Housebuilding | 31 March* |
| Barratt Metropolitan LLP ² | 75.0% | 50.0% | England and Wales | UK | Housebuilding | 30 June |
| Barratt Wates (East Grinstead) Limited | 50.0% | 50.0% | England and Wales | UK | Holding company | 30 June |
| Barratt Wates (East Grinstead No.2) Limited ¹ | 50.0% | 50.0% | England and Wales | UK | Housebuilding | 30 June |
| Barratt Wates (Horley) Limited ² | 78.5% | 50.0% | England and Wales | UK | Housebuilding | 30 June |
| Barratt Wates (Lindfield) Limited | 50.0% | 50.0% | England and Wales | UK | Housebuilding | 30 June |
| Barratt Wates (Worthing) Limited | 50.0% | 50.0% | England and Wales | UK | Housebuilding | 30 June |
| BDWZest Developments LLP ¹ | 50.0% | 50.0% | England and Wales | UK | Holding company | 31 March* |
| BDWZest LLP | 50.0% | 50.0% | England and Wales | UK | Holding company | 31 March* |
| Blackhorse Road Properties LLP ² | 51.0% | 50.0% | England and Wales | UK | Housebuilding | 30 June |
| Brooklands Milton Keynes LLP | 50.0% | 50.0% | England and Wales | UK | Housebuilding | 30 June |
| DWH/Wates (Thame) Limited | 50.0% | 50.0% | England and Wales | UK | Housebuilding | 30 June |
| Enderby Wharf LLP | 50.0% | 50.0% | England and Wales | UK | Housebuilding | 30 June |
| Fulham Wharf LLP ¹ | 50.0% | 50.0% | England and Wales | UK | Housebuilding | 31 March* |
| Fulham Wharf One Limited ¹ | 50.0% | 50.0% | England and Wales | UK | Dormant | 31 March* |
| Fulham Wharf Two Limited ¹ | 50.0% | 50.0% | England and Wales | UK | Dormant | 31 March* |
| Harrow View LLP | 50.0% | 50.0% | England and Wales | UK | Housebuilding | 31 March* |
| Infinity Park Derby LLP | 50.0% | 50.0% | England and Wales | UK | Commercial development | 30 June |
| Nine Elms LLP ¹ | 50.0% | 50.0% | England and Wales | UK | Housebuilding | 31 March* |
| Nine Elms One Limited ¹ | 50.0% | 50.0% | England and Wales | UK | Holds assets on trust | 31 March* |
| Nine Elms Two Limited ¹ | 50.0% | 50.0% | England and Wales | UK | Holds assets on trust | 31 March* |
| Old Sarum Park Properties Limited | 50.0% | 50.0% | England and Wales | UK | Dormant | 30 June |
| Queensland Road LLP ¹ | 50.0% | 50.0% | England and Wales | UK | Housebuilding | 31 March* |
| Ravenscraig Limited ² | 33.3% | 33.3% | Scotland | UK | Commercial development | 31 December* |
| Ravenscraig Town Centre LLP | 50.0% | 50.0% | England and Wales | UK | Dormant | 30 June |
| Rose Shared Equity LLP | 50.0% | 50.0% | England and Wales | UK | Investment entity | 30 June |
| Sovereign BDW (Hutton Close) LLP | 50.0% | 50.0% | England and Wales | UK | Dormant | 30 June |
| Sovereign BDW (Newbury) LLP | 50.0% | 50.0% | England and Wales | UK | Housebuilding | 30 June |
| Wembley Park Properties LLP ² | 51.0% | 50.0% | England and Wales | UK | Housebuilding | 30 June |
| Wichelstowe LLP | 50.0% | 50.0% | England and Wales | UK | Housebuilding | 31 March* |
| ZestBDW LLP | 50.0% | 50.0% | England and Wales | UK | Holding company | 31 March* |

* JV prepares Financial Statements which are non-coterminous with the Group in order to comply with the terms of their JV agreements and to align with the year ends and requirements of our JV partners.

Judgements applied in determining the classification of joint arrangements

¹ The Group's interests in a number of the entities classified as JVs are held indirectly: Barratt Wates (East Grinstead) No. 2 Limited is a wholly owned subsidiary of the Group's JV, Barratt Wates (East Grinstead) Limited, and is therefore, classified as a JV of the Group. BDWZest Developments LLP, Alie Street LLP, Queensland Road LLP, Fulham Wharf LLP and Nine Elms LLP form a group of limited liability partnerships jointly owned (directly or indirectly) by BDWZest LLP and ZestBDW LLP, both of which are JVs of the Group. Nine Elms One Limited and Nine Elms Two Limited are wholly owned subsidiaries of Nine Elms LLP, and Fulham Wharf One Limited and Fulham Wharf Two Limited are wholly owned subsidiaries of Fulham Wharf LLP. All of these entities are, therefore, classified as JVs of the Group.

13 Investments in jointly controlled entities CONTINUED

² The Group holds four JV investments (Barratt Wates (Horley) Limited, Barratt Metropolitan LLP, Wembley Park Properties LLP and Blackhorse Road Properties LLP) not in equal share, and one (Ravenscraig Limited) with more than one other party. However, in each case, the Group has equal voting rights and control over the activities of the companies with the other parties. In addition, the Group and the other parties to the agreements only have rights to the net assets of these companies through the terms of the contractual arrangements. These entities are therefore classified as JVs.

Registered offices

The registered office of all of the entities in the preceding table, with the exception of those listed below is: Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF.

Enderby Wharf LLP: Here East, 13 East Bay Lane, 3rd Floor Press Centre, Queen Elizabeth Park, London E15 2GW.

Sovereign BDW (Hutton Close) LLP and Sovereign BDW (Newbury) LLP: Sovereign House, Basing View, Basingstoke RG21 4FA.

Ravenscraig Limited: 15 Atholl Crescent, Edinburgh EH3 8HA.

Summarised financial information relating to these JVs is as follows:

| | Harrow View LLP | | Blackhorse Road Developments LLP | | Other JVs | | Group Total | |
|---|-----------------|------------|----------------------------------|------------|----------------|------------|----------------|------------|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Income | 71.8 | 58.1 | 41.1 | 32.7 | 161.2 | 178.1 | 274.1 | 268.9 |
| Adjusted expenditure (Cost)/credit associated with legacy properties | (58.5) | (46.6) | (29.4) | (25.2) | (132.4) | (141.7) | (220.3) | (213.5) |
| Interest payable | - | - | - | - | (0.8) | (2.0) | (0.8) | (2.0) |
| | 13.3 | 11.5 | 11.7 | 7.5 | 20.5 | 38.0 | 45.5 | 57.0 |
| Tax | - | - | - | - | - | 0.1 | - | 0.1 |
| Profit for the year, being total comprehensive income | 13.3 | 11.5 | 11.7 | 7.5 | 20.5 | 38.1 | 45.5 | 57.1 |
| Group share of profit for the year recognised in the Consolidated Income Statement | 6.6 | 5.8 | 6.0 | 3.8 | 10.7 | 18.1 | 23.3 | 27.7 |
| Dividends received from JVs in the year | 6.5 | 6.5 | - | - | 10.0 | 14.7 | 16.5 | 21.2 |
| Current assets | 109.6 | 90.2 | 42.1 | 44.9 | 284.4 | 261.3 | 436.1 | 396.4 |
| Non-current assets | - | - | - | - | 9.7 | 10.8 | 9.7 | 10.8 |
| Current liabilities | (20.7) | (11.6) | (6.2) | (10.7) | (206.8) | (190.3) | (233.7) | (212.6) |
| Non-current liabilities | - | - | - | - | (45.0) | (40.2) | (45.0) | (40.2) |
| Net assets of JVs | 88.9 | 78.6 | 35.9 | 34.2 | 42.3 | 41.6 | 167.1 | 154.4 |
| Cash and cash equivalents included in the above net assets | 26.9 | 20.8 | 15.6 | 15.1 | 42.9 | 55.4 | 85.4 | 91.3 |
| Group share of net assets recognised in the Consolidated Balance Sheet at 30 June | 44.5 | 39.3 | 18.3 | 17.4 | 21.1 | 20.4 | 83.9 | 77.1 |

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

13 Investments in jointly controlled entities CONTINUED

A reconciliation of the Group's share of net assets to the carrying value of investments included in the Balance Sheet is presented below:

| | Group | |
|--|--------------|--------------|
| | 2022 £m | 2021 £m |
| Group share of the net assets of its JVs | 83.9 | 77.1 |
| Group loans to JVs | 94.0 | 86.0 |
| At 30 June | 177.9 | 163.1 |

The Group has made loans, net of loss allowances, of £94.0m (2021: £86.0m) to its JVs, which are presented within Group investments. The loss allowances for Group loans to JVs are equal to 12-month expected credit losses unless there has been a significant increase in credit risk since the date of initial recognition, in which case, the loss allowance is equal to the lifetime expected credit loss. A significant increase in credit risk is judged to have occurred if a review of available information indicates an increased probability of default. At 30 June 2022, the loss allowance is immaterial (2021: immaterial).

Included within the Group's share of net assets of JVs is a proportion of the loans to the JVs (net of fair value adjustments made in one JV), calculated using the Group's ownership share, of £90.3m (2021: £82.7m).

During the year, the Group entered into a number of transactions with its JVs in respect of funding and development management services (with charges made based on the utilisation of these services) in addition to the provision of construction services. Further details on these transactions are provided in note 30. The Group and Company have a number of contingent liabilities relating to their JVs. Further details on these are provided in note 29.

The transfer of funds from the Group's JVs to the Group is determined by the terms of the JV agreements, which specify how available funds should be applied in repaying loans and capital, and distributing profits to the partners.

14 Jointly controlled operations

Jointly controlled operations

The Group's share of profits and losses from its investments in jointly controlled operations is accounted for on a direct basis and is included in the Income Statement. The Group's share of its investments, assets and liabilities is accounted for on a directly proportional basis in the Group's Balance Sheet.

The Group enters into jointly controlled operations as part of its housebuilding and property development activities. The Company has no jointly controlled operations (2021: none).

The Group has significant interests in the following jointly controlled operation:

| Joint operation | Share of profits and assets consolidated | Principal place of business | Principal activity |
|-----------------|--|-----------------------------|--------------------|
| Chapel Hill | 50.0% ¹ | UK | Housebuilding |

¹ Subject to achieving forecast profitability, 50% of profits are attributable to the Group. 50% of assets are consolidated excluding land, land creditors and any part-exchange properties.

The Group's share of the joint operations' income and expenses included in the Consolidated Income Statement during the year, and the assets and liabilities of the joint operations, which are included in the Group Balance Sheet, are shown below:

| | Group | |
|---|--------------|-------------|
| | 2022 £m | 2021 £m |
| Group share: | | |
| Income | – | 15.4 |
| Sundry income/(expenses) | 0.3 | (11.8) |
| Share of profit from joint operations | 0.3 | 3.6 |
| Share of profits distributed by joint operations | (4.7) | – |
| Current assets | 11.1 | 27.5 |
| Current liabilities | (0.8) | (12.8) |
| Share of net assets of joint operations | 10.3 | 14.7 |

15 Property, plant and equipment

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of the assets on a straight-line basis to their residual value over their estimated useful lives. Residual values and asset lives are reviewed annually.

Freehold properties are depreciated on a straight-line basis over 25 years. Freehold land is not depreciated. Plant is depreciated on a straight-line basis over its expected useful life, which ranges from one to seven years.

Property under construction is carried at cost and no depreciation is charged until the building is complete.

| | Group | | | Company | | |
|--|----------------|------------------------------|--------------|----------------|------------------------------|--------------|
| | Property £m | Plant and equipment £m | Total £m | Property £m | Plant and equipment £m | Total £m |
| Cost | | | | | | |
| At 1 July 2020 | 5.5 | 47.9 | 53.4 | 0.2 | 25.0 | 25.2 |
| Additions | 0.1 | 7.1 | 7.2 | – | 6.1 | 6.1 |
| Disposals | – | (1.7) | (1.7) | – | (1.6) | (1.6) |
| At 30 June 2021 | 5.6 | 53.3 | 58.9 | 0.2 | 29.5 | 29.7 |
| Additions | 22.7 | 7.2 | 29.9 | – | 1.4 | 1.4 |
| Acquired on acquisition of subsidiary | 1.2 | 0.1 | 1.3 | – | – | – |
| Disposals | (0.4) | (6.9) | (7.3) | – | (4.9) | (4.9) |
| At 30 June 2022 | 29.1 | 53.7 | 82.8 | 0.2 | 26.0 | 26.2 |
| Depreciation | | | | | | |
| At 1 July 2020 | 2.8 | 31.6 | 34.4 | 0.2 | 15.5 | 15.7 |
| Charge for the year | 0.3 | 5.5 | 5.8 | – | 3.1 | 3.1 |
| Disposals | – | (1.7) | (1.7) | – | (1.6) | (1.6) |
| At 30 June 2021 | 3.1 | 35.4 | 38.5 | 0.2 | 17.0 | 17.2 |
| Charge for the year | 0.4 | 5.8 | 6.2 | – | 3.5 | 3.5 |
| Disposals | (0.1) | (3.0) | (3.1) | – | (1.1) | (1.1) |
| At 30 June 2022 | 3.4 | 38.2 | 41.6 | 0.2 | 19.4 | 19.6 |
| Net book value | | | | | | |
| At 30 June 2021 | 2.5 | 17.9 | 20.4 | – | 12.5 | 12.5 |
| At 30 June 2022 | 25.7 | 15.5 | 41.2 | – | 6.6 | 6.6 |

Property cost includes £21.2m (2021: £nil) in respect of a building under construction.

Authorised future capital expenditure that was contracted but not provided for in these Financial Statements amounted to £10.9m (2021: £0.7m).

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

16 Leases

Leases

A right-of-use asset and a lease liability are recognised at the commencement date of a lease. The right-of-use asset is initially measured at cost comprising the initial amount of the lease liability plus payments made before the lease commenced and any direct costs less any incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement of the lease to the earlier of the end of the lease term or the end of the useful life of the asset. The right-of-use asset is also reduced for impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments at the commencement date discounted using the Group's incremental borrowing rate of between 0% and 7%, and is subsequently measured at amortised cost using the effective interest method. The lease liability is remeasured when there is a change in the future lease payments, and a corresponding adjustment is made to the right-of-use asset.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of plant and machinery with a lease term of 12 months or less, and leases of low value including leases of office equipment. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group and Company lease assets including land and buildings, vehicles, plant and machinery, and office equipment. Information about leases for which the Group or Company is a lessee is presented below.

| | Group | | | Company | | |
|--|--------------------------|-------------|--------------|--------------------------|-------------|----------------|
| | Land and buildings £m | Other £m | Total £m | Land and buildings £m | Other £m | Total £m |
| Right-of-use assets | | | | | | |
| Balance at 1 July 2021 | 30.6 | 8.7 | 39.3 | 3.7 | 0.8 | 4.5 |
| Balance at 30 June 2022 | 25.1 | 10.5 | 35.6 | 3.1 | 1.1 | 4.2 |
| Net additions during the year including remeasurements | 2.3 | 7.0 | 9.3 | - | 0.8 | 0.8 |
| | | | | | | |
| | | | Group | | | Company |
| | | | 2022 | 2021 | 2022 | 2021 |
| | | | £m | £m | £m | £m |
| Lease liabilities included in the Balance Sheet | | | | | | |
| Current | | | 10.5 | 10.9 | 1.1 | 0.9 |
| Non-current | | | 26.6 | 29.8 | 3.1 | 3.6 |
| | | | 37.1 | 40.7 | 4.2 | 4.5 |

A maturity analysis of the contractual undiscounted cash flows associated with these lease liabilities is presented in note 31.

| | Group | |
|--|------------|------------|
| | 2022 £m | 2021 £m |
| Amounts recognised in the Income Statement | | |
| Interest on lease liabilities | 0.9 | 1.3 |
| Depreciation of right-of-use land and buildings | 7.8 | 9.2 |
| Depreciation of other right-of-use assets | 5.2 | 4.6 |
| Expenses relating to short-term and low-value leases | 32.6 | 27.1 |

The total Group cash outflow for leases in the current year was £45.9m (Company: £1.1m) (2021: £41.9m (Company £1.0m)), of which £13.8m (Company: £1.1m) (2021: £14.8m (Company: £1.0m)) related to the repayment of lease liabilities recognised in the Balance Sheet.

17 Inventories

Inventories

Inventories are valued at the lower of cost and net realisable value. Land held for development, including land in the course of development, is initially recorded at discounted cost. Where, through deferred purchase credit terms, the carrying value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the Income Statement over the period of settlement.

Cost of construction work in progress comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Overhead costs include, but are not limited to, roads and other infrastructure costs required for a site and local contributions and physical works contributions required under planning permissions granted for our developments.

Due to the scale of the Group's developments, the Group has to allocate 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. In making these assessments, there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made. Further information is included in the margin recognition section of note 3.

Work in progress on promotion agreements comprises direct fees and labour costs incurred in investigating, designing, master planning, obtaining planning permission and ultimately securing sales agreements for land on behalf of landowners. The satisfaction of promotion agreements is largely dependent upon the grant of planning consent; therefore, management assess the likelihood of attaining these consents when assessing their carrying values.

| | Group | |
|--|------------|------------|
| | 2022 £m | 2021 £m |
| Land held for development | 3,339.9 | 2,946.3 |
| Construction work in progress | 1,837.8 | 1,675.9 |
| Promotion agreements work in progress | 91.1 | - |
| Part-exchange properties and other inventories | 22.8 | 23.3 |
| | 5,291.6 | 4,645.5 |

The Company has no inventories.

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 2022 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 £2.0m (2021: £3.6m) and gross impairment reversals of £4.2m (2021: £7.1m), resulting in a net reversal of impairment of £2.2m (2021: £3.5m) included within profit from operations.

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

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

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

18 Trade and other receivables

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Amounts recoverable on certain construction contracts where revenue is recognised over time are included in trade receivables and stated at cost plus attributable profit less any foreseeable losses. Payments received on account for these construction contracts are deducted from amounts recoverable on these contracts.

Trade and other receivables are initially recognised at their transaction price and subsequently measured at amortised cost, being their nominal value less a loss allowance for expected credit losses, which are assessed on the basis of an average weighting of the risk of default. Any impairment is recognised immediately in the Income Statement.

For this purpose, a default is determined to have occurred if the Group becomes aware of evidence that it will not receive all contractual cash flows that are due or if payment has not been received within 60 days of the due date. After this time, it is probable that contractual cash flows will not be fully recovered.

The Group does not hold any collateral over these balances.

Trade receivables are receivables and contract assets arising from the Group's contracts with customers. The loss allowance is equal to the lifetime expected credit loss, assessed on an individual basis.

The loss allowances for other receivables and amounts due from subsidiary undertakings are equal to 12 month expected credit losses unless there has been a significant increase in credit risk since the date of initial recognition, in which case the loss allowance is equal to the lifetime expected credit loss. A significant increase in credit risk is judged to have occurred if a review of available information indicates an increased probability of default, or if contractual payments are more than 30 days past due.

Where amounts due from subsidiary undertakings can be satisfied by the subsidiaries through the recovery of a debt from fellow subsidiaries with strong capacity to meet that debt, the amount is considered to have low credit risk at the reporting date and it is therefore assumed that the credit risk has not significantly increased.

Trade and other receivables that are more than two years overdue are deemed to have no reasonable expectation of recovery and are written off in the Financial Statements, but are still subject to enforcement activity. Subsequent recoveries of amounts previously written off are credited to the Income Statement.

| | Notes | Group | | Company | |
|--|-------|--------------|--------------|-------------|-------------|
| | | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Non-current assets | | | | | |
| Amounts due from subsidiary undertakings | | - | - | 76.1 | 75.8 |
| Contract assets | 22 | 0.6 | - | - | - |
| Other receivables | | 5.9 | 1.2 | - | - |
| | | 6.5 | 1.2 | 76.1 | 75.8 |
| Current assets | | | | | |
| Trade receivables | | 107.6 | 71.4 | - | - |
| Contract assets | 22 | 12.7 | 0.9 | - | - |
| Amounts due from subsidiary undertakings | | - | - | 3.1 | 0.2 |
| Other receivables | | 97.2 | 92.9 | 1.7 | 11.1 |
| Prepayments and accrued income | | 19.5 | 14.4 | 8.6 | 7.9 |
| | | 237.0 | 179.6 | 13.4 | 19.2 |

Other receivables include £39.3m (2021: £26.9m) receivable from joint ventures.

18 Trade and other receivables CONTINUED

The carrying values of trade and other receivables are stated after allowance for expected credit losses. The movements in the loss allowances for the year were as follows:

| Allowance for doubtful receivables | Notes | Trade receivables and contract balances | | Other receivables | | Amounts due from subsidiary undertakings |
|--|-------|---|---------------|-------------------|---------------|--|
| | | Group £m | Company £m | Group £m | Company £m | Company £m |
| Loss allowance at 1 July 2021 | | 6.1 | - | 0.2 | - | - |
| Charge for the year | 23 | 1.8 | - | - | - | - |
| Amounts written off | | (0.1) | - | - | - | - |
| Recoveries of amounts previously written off | 23 | (2.9) | - | - | - | - |
| Loss allowance at 30 June 2022 | | 4.9 | - | 0.2 | - | - |

Movements in loss allowances are principally a result of the derecognition and origination of financial assets in the year. The loss allowances written off are equal to the gross carrying amounts of the assets written off in the year. The Directors consider that the carrying amount of trade receivables approximates to their fair value.

Further disclosures relating to financial assets are set out in note 23.

19 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 | | Company | |
|---|----------------|------------|----------------|------------|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Cash and cash equivalents | 1,352.7 | 1,518.6 | 1,045.4 | 1,319.0 |
| Drawn debt | | | | |
| Borrowings: | | | | |
| Sterling US private placement notes | (200.0) | (200.0) | (200.0) | (200.0) |
| Bank overdrafts | (17.3) | (5.3) | - | - |
| Total borrowings being total drawn debt | (217.3) | (205.3) | (200.0) | (200.0) |
| Prepaid fees | 3.2 | 4.1 | 3.2 | 4.1 |
| Net cash | 1,138.6 | 1,317.4 | 848.6 | 1,123.1 |
| Total borrowings at 30 June are analysed as: | | | | |
| Non-current borrowings | (200.0) | (200.0) | (200.0) | (200.0) |
| Current borrowings | (17.3) | (5.3) | - | - |
| Total borrowings being total drawn debt | (217.3) | (205.3) | (200.0) | (200.0) |

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

19 Net cash CONTINUED

Movement in net cash is analysed as follows:

| | Group | | Company | |
|---|----------------|------------|----------------|------------|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Net (decrease)/increase in cash and cash equivalents | (165.9) | 898.8 | (273.6) | 895.0 |
| (Drawdown)/repayment of borrowings: | | | | |
| Loans and borrowings drawdowns | (17.3) | - | - | - |
| Loans and borrowings repayments | 5.3 | 112.4 | - | 111.0 |
| Other movements in borrowings: | | | | |
| Movement in prepaid fees | (0.9) | (2.0) | (0.9) | (2.0) |
| Movement in net cash in the year | (178.8) | 1,009.2 | (274.5) | 1,004.0 |
| Opening net cash | 1,317.4 | 308.2 | 1,123.1 | 119.1 |
| Closing net cash | 1,138.6 | 1,317.4 | 848.6 | 1,123.1 |

Changes in liabilities arising from financing activities are shown below:

| | Group | | Company | | |
|--|------------------------|-------------------------|------------------------|-------------------------|----------------|
| | Total borrowings £m | Lease liabilities £m | Total borrowings £m | Lease liabilities £m | Total £m |
| Liabilities from financing activities at 1 July 2020 | (317.7) | (47.8) | (365.5) | (311.0) | (315.9) |
| Financing cash flows | 112.4 | 14.8 | 127.2 | 111.0 | 112.0 |
| Other movements | - | (7.7) | (7.7) | - | (0.6) |
| Liabilities arising from financing activities at 30 June 2021 | (205.3) | (40.7) | (246.0) | (200.0) | (204.5) |
| Financing cash flows | (12.0) | 13.8 | 1.8 | - | 1.1 |
| Other movements | - | (10.2) | (10.2) | - | (0.8) |
| Liabilities arising from financing activities at 30 June 2022 | (217.3) | (37.1) | (254.4) | (200.0) | (204.2) |

Cash and cash equivalents

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

Cash, cash equivalents and bank overdrafts, as presented in the Cash Flow Statement is analysed as follows:

| | Group | | Company | |
|---|----------------|------------|----------------|------------|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Cash and cash equivalents | 1,352.7 | 1,518.6 | 1,045.4 | 1,319.0 |
| Bank overdrafts included in loans and borrowings | (17.3) | - | - | - |
| Cash, cash equivalents and bank overdrafts | 1,335.4 | 1,518.6 | 1,045.4 | 1,319.0 |

Further disclosures relating to financial assets are set out in note 23.

19 Net cash CONTINUED

Borrowings and facilities

Loans and borrowings

Interest bearing loans and overdrafts are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost, being the amount recorded at recognition plus accrued interest applied to the account less any repayments made.

All debt facilities at 30 June 2022 are unsecured.

The principal features of the Group's committed debt facilities at 30 June 2022 and 30 June 2021 were as follows:

| | Facility | Amount drawn | | Maturity |
|--------------------------------|----------|----------------|--------------|------------------|
| | | 30 June 2022 | 30 June 2021 | |
| Committed facilities: | | | | |
| RCF | £700.0m | - | - | 22 November 2025 |
| Fixed rate Sterling USPP notes | £200.0m | £200.0m | £200.0m | 22 August 2027 |

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

Weighted average interest rates are disclosed in note 6.

20 Trade and other payables

Trade and other payables

Trade and other payables on normal terms are not interest bearing and are stated at amortised cost.

Trade and other payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate by discounting at prevailing market interest rates at the date of recognition. The discount to nominal value, which will be paid in settling the deferred purchase terms liability, is amortised over the period of the credit term and charged to finance costs using the 'effective interest rate' method.

| | Notes | Group | | Company | |
|--|-------|----------------|-------------------------|--------------|------------|
| | | 2022 £m | 2021 ¹ £m | 2022 £m | 2021 £m |
| Non-current liabilities | | | | | |
| Land payables | | 235.4 | 294.9 | - | - |
| Other payables | | 5.1 | 1.9 | - | - |
| | | 240.5 | 296.8 | - | - |
| Current liabilities | | | | | |
| Trade payables | | 324.0 | 289.6 | 4.8 | 4.0 |
| Land payables | | 498.2 | 363.4 | - | - |
| Contract liabilities | 22 | 124.3 | 137.5 | - | - |
| Amounts due to subsidiary undertakings | | - | - | 323.5 | 764.3 |
| Accruals ¹ | | 428.8 | 439.9 | 28.2 | 24.4 |
| Other tax and social security | | 24.8 | 13.0 | - | - |
| Other payables | | 14.3 | 15.5 | 0.5 | 4.8 |
| | | 1,414.4 | 1,258.9 | 357.0 | 797.5 |

¹ Costs in relation to completed developments, previously included within accruals, have been reclassified as provisions as described in the 'Application of accounting standards' section of note 1 to the Financial Statements. The prior year balance for accruals (previously £582.2m) has been re-presented to ensure comparability.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

20 Trade and other payables CONTINUED

The carrying amount of trade payables approximates to their fair value.

Accruals include a social security accrual relating to share-based payments (note 27). Other payables classified as non-current liabilities at 30 June 2022 include amounts accrued for payment of the CITB levy and other sundry accruals.

The Group has £365.2m (2021: £290.9m) of payables secured by legal charges on land and buildings included within inventories and £3.1m (2021: £8.5m) supported by promissory notes. Other non-current payables are unsecured and non-interest bearing.

Further disclosures relating to financial liabilities are set out in note 23.

21 Provisions

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

| | | | | Group |
|---|--|---|---|---------------|
| | Costs in relation to completed developments ¹ £m | Legacy properties – EWS and associated review £m | Legacy properties – Citiscape and associated review £m | Total £m |
| At 1 July 2021 (as previously presented) | – | 41.6 | 26.0 | 67.6 |
| Amounts reclassified from accruals ¹ | 142.3 | – | – | 142.3 |
| At 1 July 2021 as re-presented ¹ | 142.3 | 41.6 | 26.0 | 209.9 |
| Additions to provisions in the year | 47.3 | 414.5 | 33.5 | 495.3 |
| Sites reclassified to completed developments | 26.3 | – | – | 26.3 |
| Releases | (21.4) | (12.8) | (3.0) | (37.2) |
| Utilisation in the year | (49.0) | (8.7) | (11.6) | (69.3) |
| At 30 June 2022 | 145.5 | 434.6 | 44.9 | 625.0 |

| | Group | |
|----------------------|--------------|-------------------------|
| | 2022 £m | 2021 ¹ £m |
| Current ¹ | 265.4 | 209.9 |
| Non-current | 359.6 | – |
| | 625.0 | 209.9 |

¹ Costs in relation to completed developments, previously included within accruals, have been reclassified as provisions as described in the 'Application of accounting standards' section of note 1 to the Financial Statements. The prior year balance for provisions has been re-presented to ensure comparability.

The Company had no provisions in either year.

21 Provisions CONTINUED

Costs associated with legacy properties

External wall systems and associated review

The Group is undertaking a review of all of its current and legacy buildings where it has used EWS or cladding solutions and continues to assess the action required in line with the latest updates to Government guidance, as it applies, to multi-storey and multi-occupied residential buildings. All of our buildings, including those incorporating EWS or cladding solutions, were signed off by approved inspectors as compliant with the relevant Building Regulations at the time of completion.

On 6 April 2022, the Group signed an industry pledge on building safety (the "Pledge") aligned to its belief that leaseholders should not have to pay for necessary remediation work caused by the design, construction or refurbishment of buildings. The Pledge commits the Group to address life-critical fire safety issues on all our buildings of 11 metres and above that we have developed or refurbished over the past 30 years. The Group further committed to withdraw our buildings from, and/or reimburse, the Government's Building Safety Fund and ACM Fund.

The Group has provided for the cost of fulfilling this pledge, as well as assisting with remedial work identified at a limited number of other legacy properties where it has a legal liability to do so, where relevant build issues have been identified, or it is considered probable that such build issues exist.

| | April 2022 | Identified for review | Review confirmed no remediation, or remediation completed | |
|---------------------------|------------|-----------------------|---|------------|
| | | | June 2022 | |
| Under review: | | | | |
| Buildings above 18 metres | 128 | 17 | (5) | 140 |
| Buildings under 18 metres | 83 | 10 | (10) | 83 |
| Total buildings | 211 | 27 | (15) | 223 |
| Developments | 66 | 7 | (4) | 69 |

| | April 2022 | Returned to scope following Industry Pledge | Review confirmed no remediation, or remediation completed | |
|-------------------------------|------------|---|---|-----------|
| | | | June 2022 | |
| Remediation completed: | | | | |
| Building above 18 metres | 11 | (4) | 5 | 12 |
| Buildings under 18 metres | 8 | – | 10 | 18 |
| Total buildings | 19 | (4) | 15 | 30 |
| Developments | 7 | (2) | 4 | 9 |

This is a complex area requiring significant judgement with respect to both the individual remediation requirements of each building and the costs associated with that remediation (see also Note 29). Management's estimate of the remediation cost of the relevant buildings was based on recent industry experience of the average remediation cost per plot of c. £21,000 plus an estimate of future cost price inflation over the period until the remediation is completed. An additional contingency was also allowed to reflect further buildings being identified as within the scope of the Pledge and for unforeseen remediation costs beyond management's current knowledge. As a result, £396.4m was provided in relation to the Pledge.

In relation to the timing of remediation spend, it has been assumed that the majority of the work will be completed over the next five years. The amount provided has been discounted accordingly. This depends on a number of factors, including the completion of legal documentation with the Government, timely engagement by building owners and remediation work being completed in line with our estimated timings.

The investigation of the works required at many of the buildings is at an early stage and therefore it is possible that these estimates will change over time or if government legislation and regulation further evolves.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

21 Provisions CONTINUED

The estimates are based on key assumptions that will be updated as work and time progresses. The sensitivity of the provision held at the balance sheet date to the following possible movements in those assumptions is shown below:

| Sensitivity | Increase/(decrease) in provisions at 30 June 2022 | |
|---|---|--------|
| | £m | |
| 10% increase in estimated cost per plot | | 27.7 |
| 100 bps increase in discount rate | | (12.0) |
| 10% of all cash flows delayed by one year | | 1.2 |

Citiscap and associated review

As announced in July 2020, we took the decision to pay for required remedial action on the reinforced concrete frame at the Citiscap development in Croydon and undertook an associated review of 27 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 that has since acquired it. This review is substantially complete and has not identified any other buildings with issues as severe as those present at Citiscap. Detailed reviews are ongoing and, in line with our commitment to put our customers first, we will ensure that the costs associated with any remedial works from these reviews are not borne by leaseholders.

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

22 Contract assets and liabilities

Contract assets relate to amounts due from customers primarily for construction work completed but not invoiced at the balance sheet date in relation to contracts where revenue is recognised over time. These amounts are included in trade and other receivables. The Group has taken advantage of the practical expedient in paragraph 94 of IFRS 15 to immediately expense the incremental costs of obtaining contracts where the amortisation period of the assets would have been one year or less.

Contract liabilities relate to payments received from the customer on the contract, and/or amounts invoiced to the customer in advance of the Group performing its obligations on contracts where revenue is recognised either over time or at a point in time. These amounts are included within trade and other payables.

Significant changes in contract assets and liabilities are as follows:

| | Contracts on which revenue is recognised over time | | Contracts on which revenue is recognised at a point in time | |
|---|--|--------------|---|----------------|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| At 1 July: | | | | |
| Amounts included within trade and other payables | (6.6) | (13.0) | (130.9) | (123.6) |
| Amounts included within trade and other receivables | 0.9 | 0.9 | - | - |
| | (5.7) | (12.1) | (130.9) | (123.6) |
| Movements in the year: | | | | |
| Performance obligations satisfied in the year | 75.0 | 69.1 | 5,192.9 | 4,742.6 |
| Amounts invoiced in the year | (60.2) | (62.7) | (5,062.0) | (4,619.0) |
| Cash received for performance obligations not yet satisfied | - | - | (120.1) | (130.9) |
| At 30 June | 9.1 | (5.7) | (120.1) | (130.9) |
| Analysed as: | | | | |
| Amounts included within trade and other payables | (4.2) | (6.6) | (120.1) | (130.9) |
| Amounts included within trade and other receivables | 13.3 | 0.9 | - | - |

Further revenue of £118.8m (2021: £148.7m) is expected to be recognised in future years in respect of contracts on which revenue is recognised over time, of which 16.9% (2021: 20.0%) is expected to be recognised within 12 months of the balance sheet date.

The Company had no contract assets or liabilities in either year.

23 Financial instruments

Recognition

Financial assets and financial liabilities are recognised on the Balance Sheet in accordance with IFRS 9 when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group derecognises a financial liability only when the Group's obligations are discharged, cancelled or they expire.

Classification and measurement

Non-derivative financial assets are classified in accordance with IFRS 9 as either 'fair value through profit and loss' or 'subsequently measured at amortised cost'. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

All non-derivative financial liabilities are classified as 'subsequently measured at amortised cost'.

Financial assets and liabilities subsequently measured at amortised cost are initially recognised at fair value determined based on discounted cash flow analysis using current market rates for similar instruments. They are subsequently measured at amortised cost using the 'effective interest rate' method. Financial assets are also measured after recognition of any impairment.

Financial assets classified as 'fair value through profit and loss' are measured at fair value at the end of each reporting period. Gains and losses arising from changes in fair value are charged directly to the Income Statement to the extent that they are not part of a designated hedging relationship.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Impairment

A loss allowance is recognised for expected credit losses on financial assets as described in note 18. Any impairment is recognised immediately in the Income Statement.

Financial assets

The carrying values and fair values of the Group and Company financial assets are as follows:

| | Notes | Group | | | | Company | | | |
|--|-------|------------------|------------------------------|------------------|------------------------------|------------------|------------------------------|----------------|----------------|
| | | Fair value £m | 2022 Carrying value £m | Fair value £m | 2021 Carrying value £m | Fair value £m | 2021 Carrying value £m | | |
| Cash and cash equivalents | 19 | 1,352.7 | 1,352.7 | 1,518.6 | 1,518.6 | 1,045.4 | 1,045.4 | 1,319.0 | 1,319.0 |
| Measured at amortised cost: | | | | | | | | | |
| Trade and other receivables ¹ | | 168.1 | 168.1 | 119.8 | 119.8 | - | - | 9.6 | 9.6 |
| Intercompany receivables | 18 | - | - | - | - | 79.2 | 79.2 | 76.0 | 76.0 |
| Total financial assets | | 1,520.8 | 1,520.8 | 1,638.4 | 1,638.4 | 1,124.6 | 1,124.6 | 1,404.6 | 1,404.6 |

¹ Excludes amounts recoverable on contracts, prepayments and accrued income, and tax and social security.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

23 Financial instruments CONTINUED

Financial liabilities

The carrying values and fair values of the Group and Company financial liabilities are as follows:

| | Notes | Group | | | | Company | | | |
|---------------------------------------|-------|------------------|---------------------------------|------------------|---------------------------------|------------------|---------------------------------|------------------|---------------------------------|
| | | Fair value £m | 2022 Carrying value £m | Fair value £m | 2021 Carrying value £m | Fair value £m | 2022 Carrying value £m | Fair value £m | 2021 Carrying value £m |
| Measured at amortised cost: | | | | | | | | | |
| Bank overdrafts | 19 | 17.3 | 17.3 | 5.3 | 5.3 | - | - | - | - |
| Loans and borrowings | 19 | 187.6 | 200.0 | 202.8 | 200.0 | 187.6 | 200.0 | 202.8 | 200.0 |
| Trade and other payables ¹ | | 1,380.4 | 1,387.9 | 1,296.1 | 1,293.8 | 16.7 | 16.7 | 16.9 | 16.9 |
| Intercompany payables | 20 | - | - | - | - | 323.5 | 323.5 | 764.3 | 764.3 |
| Lease liabilities | 16 | 37.1 | 37.1 | 40.7 | 40.7 | 4.2 | 4.2 | 4.5 | 4.5 |
| Total financial liabilities | | 1,622.4 | 1,642.3 | 1,544.9 | 1,539.8 | 532.0 | 544.4 | 988.5 | 985.7 |

¹ Excludes deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

The fair values of liabilities in the above table have been determined using discounted cash flows based on observable market data other than quoted prices in active markets for identical liabilities.

Trade and other payables include items secured by legal charges as disclosed in note 20.

Financial instruments gains and losses

The net (gains)/losses recorded in the Consolidated Income Statement, in respect of financial instruments (excluding interest shown in note 6), were as follows:

| | Notes | 2022 £m | 2021 £m |
|--|-------|------------|------------|
| Financial assets measured at amortised cost | | | |
| Trade receivables – loss allowance charge | 18 | 1.8 | 3.4 |
| Recoveries of doubtful receivables | 18 | (2.9) | (5.1) |

24 Share capital

Equity instruments

Ordinary share capital is recorded at the proceeds received, net of direct issue costs and is classified as equity.

Ordinary share capital

| | 2022 £m | 2021 £m |
|--|------------|------------|
| Allotted and issued ordinary shares | | |
| 10p each fully paid: 1,022,562,819 (2021: 1,018,331,741) ordinary shares | 102.2 | 101.8 |

| | 2022 Number | 2021 Number |
|--|------------------|----------------|
| Options over the Company's shares granted during the year | | |
| LTPP | 2,774,294 | 3,204,477 |
| Sharesave | 4,117,231 | 1,913,489 |
| DBP | 674,051 | - |
| ELTIP | 1,080,733 | 1,249,000 |
| | 8,646,309 | 6,366,966 |

| | 2022 Number | 2021 Number |
|---|----------------------|----------------|
| Allotment of shares during the year | | |
| At 1 July | 1,018,331,741 | 1,018,302,400 |
| Issued to the EBT to satisfy the vesting of awards | 2,386,199 | - |
| Issued to satisfy early exercises under Sharesave schemes | 28,023 | 10,251 |
| Issued to satisfy exercises under matured Sharesave schemes | 1,816,856 | 19,090 |
| At 30 June | 1,022,562,819 | 1,018,331,741 |

25 Merger reserve

The merger reserve comprises the non-statutory premium arising on shares issued as consideration for the acquisition of subsidiaries where merger relief under section 612 of the Companies Act 2006 applies.

26 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.

| | 2022 | 2021 |
|---|-----------|-----------|
| Ordinary shares in the Company held in the EBT (number) | 5,320,168 | 1,300,125 |
| Cost of shares held in the EBT | £27.0m | £4.7m |
| Market value of shares held in the EBT at 457.4p (2021: 695.2p) per share | £24.3m | £9.0m |

During the year, the EBT purchased 4,989,573 (2021: no) shares in the market and 2,386,199 (2021: no) shares were issued to the EBT. The EBT disposed of 3,355,729 (2021: 1,689,670) shares which were used to satisfy the vesting of ELTIP, LTPP and DBP awards. No shares were used in the year in settlement of exercises under Sharesave plans (2021: 1,719,011 shares were used in settlement of exercises under the Sharesave 2015 5-year plan and the Sharesave 2017 3-year plan).

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

27 Share-based payments

The Group issues equity-settled share-based payments to certain employees.

Share-based payments

In accordance with the transitional provisions, IFRS 2 'Share-Based Payments' has been applied to all grants of equity instruments after 7 November 2002 that had not vested at 1 January 2005.

Equity-settled share-based payments are measured at the fair value of the equity instrument at the date of grant. Fair value is measured either using Black-Scholes, Present-Economic Value or Monte Carlo models depending on the characteristics of the scheme. The fair value is expensed in the Income Statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest where non-market vesting conditions apply. Non-vesting conditions are taken into account in the estimate of the fair value of the equity instruments.

Analysis of the Consolidated Income Statement charge:

| | 2022 £m | 2021 £m |
|---|-------------|-------------|
| Equity-settled share-based payments: | | |
| LTPP | 13.0 | 12.3 |
| Sharesave | 2.4 | 1.7 |
| DBP | 2.6 | 2.3 |
| ELTIP | 6.2 | 4.1 |
| | 24.2 | 20.4 |

As at 30 June 2022, an accrual of £4.0m (2021: £5.3m) was recognised in respect of social security liabilities on share-based payments.

Share-based payments reserve

The share-based payments reserve represents the obligation of the Group in relation to equity-settled share-based payment transactions. Details of movements in the share-based payments reserve are shown on the Statement of Changes in Shareholders' Equity.

27 Share-based payments CONTINUED

Outstanding equity-settled share-based payments

At 30 June 2022, the following options were outstanding:

| Date of grant | Option price pence | 2022 number | Not exercisable after |
|--|-----------------------|-------------------|-----------------------|
| Sharesave | | | |
| 24 April 2017 – 5-year plan | 464 | 157,439 | 31 December 2022 |
| 20 April 2018 – 5-year plan | 449 | 174,860 | 31 December 2023 |
| 9 April 2019 – 3-year plan | 519 | 960,934 | 31 December 2022 |
| 9 April 2019 – 5-year plan | 519 | 135,653 | 31 December 2024 |
| 7 April 2020 – 3-year plan | 456 | 1,999,627 | 31 December 2023 |
| 7 April 2020 – 5-year plan | 456 | 362,504 | 31 December 2025 |
| 7 April 2021 – 3-year plan | 604 | 1,025,138 | 31 December 2024 |
| 7 April 2021 – 5-year plan | 604 | 121,257 | 31 December 2026 |
| 6 April 2022 – 3-year plan | 436 | 3,355,466 | 31 December 2025 |
| 6 April 2022 – 5-year plan | 436 | 652,503 | 31 December 2027 |
| Total Sharesave options | | 8,945,381 | |
| LTPP | | | |
| 24 October 2019 – Executive | – | 1,240,331 | – |
| 30 November 2020 – Executive | – | 1,337,942 | – |
| 18 February 2021 and 21 April 2021 – Executive | – | 118,020 | – |
| 14 October 2021 – Executive | – | 1,133,496 | – |
| 14 February 2022 – Executive | – | 117,716 | – |
| 14 February 2022 – Executive | – | 22,559 | – |
| 14 February 2022 – Executive | – | 22,560 | – |
| 14 February 2022 – Executive | – | 67,681 | – |
| 24 October 2019 – Senior management | – | 1,021,736 | – |
| 30 November 2020 – Senior management | – | 1,453,487 | – |
| 14 October 2021 – Senior management | – | 1,287,671 | – |
| Total LTPP awards | | 7,823,199 | |
| DBP | | | |
| 24 October 2019 | – | 551,589 | – |
| 24 September 2021 | – | 674,051 | – |
| Total DBP awards | | 1,225,640 | |
| ELTIP | | | |
| 15 July 2019 – HBF 5 Star Award | – | 182 | – |
| 30 November 2020 – 500,000th House Award | – | 963,356 | – |
| 15 July 2021 | – | 916,148 | – |
| Total ELTIP awards | | 1,879,686 | |
| Total | | 19,873,906 | |

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

27 Share-based payments CONTINUED

Further information relating to the share-based payment schemes

LTPP

The grant of awards under the LTPP is at the discretion of the Remuneration Committee taking into account individual performance and overall performance of the Group. Vesting under this scheme is dependent upon performance conditions including TSR, EPS and ROCE. Further details can be found in the Remuneration Report on page 114.

DBP

Deferred shares are held in accordance with the DBP as approved by the shareholders at the 2015 AGM. The DBP is currently utilised to hold shares awarded in respect of any bonus earned in excess of 100% of base salary. Further details can be found on page 117.

Sharesave

Under the Sharesave, participants are required to make monthly contributions to an HMRC approved savings contract with a bank or building society for a period of three or five years. On entering into the savings contract, participants are granted an option to acquire ordinary shares in the Company at an exercise price determined under the rules of the Sharesave. The Sharesave is open to all eligible employees as determined by the Board and is not subject to the satisfaction of any performance conditions.

ELTIP

The Board approved the 2021 Award in July 2021 and the 500,000th House Award in November 2020 under the ELTIP. The Awards were made to all eligible employees employed as at 15 July 2021 and 30 November 2020 respectively. Participants will be entitled to receive shares in the Company when the 500,000th House Award vests on 30 November 2022, and participants of the 2021 Award will be entitled to receive shares in the Company when the Award vests on 30 November 2023. Senior management are not eligible to participate in the ELTIP. The Awards are not subject to the satisfaction of any performance condition other than that participants remain employed by the Group and have not resigned before the end of the vesting period.

Number and weighted average exercise price of outstanding share-based payments

The number and weighted average exercise prices of options and awards made under the Group's share option schemes were as follows:

| | 2022 | | 2021 | |
|-------------------------------|--|-----------------------|--|-----------------------|
| | Weighted average exercise price in pence | Number of award units | Weighted average exercise price in pence | Number of award units |
| LTPP | | | | |
| Outstanding at 1 July | - | 8,087,663 | - | 6,454,344 |
| Forfeited during the year | - | (1,277,018) | - | (1,332,401) |
| Exercised during the year | - | (1,761,740) | - | (238,757) |
| Granted during the year | - | 2,774,294 | - | 3,204,477 |
| Outstanding at 30 June | - | 7,823,199 | - | 8,087,663 |
| Exercisable at 30 June | - | - | - | - |

| | 2022 | | 2021 | |
|-------------------------------|--|-----------------------|--|-----------------------|
| | Weighted average exercise price in pence | Number of award units | Weighted average exercise price in pence | Number of award units |
| Sharesave | | | | |
| Outstanding at 1 July | 499 | 8,217,072 | 467 | 8,706,565 |
| Forfeited during the year | 533 | (1,544,043) | 467 | (654,630) |
| Exercised during the year | 451 | (1,844,879) | 463 | (1,748,352) |
| Granted during the year | 436 | 4,117,231 | 604 | 1,913,489 |
| Outstanding at 30 June | 474 | 8,945,381 | 499 | 8,217,072 |
| Exercisable at 30 June | - | - | - | - |

27 Share-based payments CONTINUED

| | 2022 | | 2021 | |
|-------------------------------|--|-----------------------|--|-----------------------|
| | Weighted average exercise price in pence | Number of award units | Weighted average exercise price in pence | Number of award units |
| DBP | | | | |
| Outstanding at 1 July | - | 1,168,788 | - | 1,723,791 |
| Forfeited during the year | - | (12,186) | - | (17,553) |
| Exercised during the year | - | (605,013) | - | (537,450) |
| Granted during the year | - | 674,051 | - | - |
| Outstanding at 30 June | - | 1,225,640 | - | 1,168,788 |
| Exercisable at 30 June | - | - | - | - |

| | 2022 | | 2021 | |
|-------------------------------|--|-----------------------|--|-----------------------|
| | Weighted average exercise price in pence | Number of award units | Weighted average exercise price in pence | Number of award units |
| ELTIP | | | | |
| Outstanding at 1 July | - | 2,149,584 | - | 2,047,011 |
| Forfeited during the year | - | (361,655) | - | (232,964) |
| Exercised during the year | - | (988,976) | - | (913,463) |
| Granted during the year | - | 1,080,733 | - | 1,249,000 |
| Outstanding at 30 June | - | 1,879,686 | - | 2,149,584 |
| Exercisable at 30 June | - | 182 | - | - |

The weighted average share price, at the date of exercise, of share options exercised during the year was 674.4p (2021: 544.2p). The weighted average life for all schemes outstanding at the end of the year was 1.9 years (2021: 1.7 years).

Fair value of options and awards granted in the year

Weighted average fair value of options granted

| | Valuation model | Weighted average fair value of options granted | |
|-----------|---------------------|--|------------|
| | | 2022 pence | 2021 pence |
| Sharesave | Black-Scholes model | 94.7 | 221.8 |
| LTPP | Black-Scholes model | 683.0 | 619.0 |
| DBP | Black-Scholes model | 681.0 | - |
| ELTIP | Black-Scholes model | 634.0 | 576.0 |

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

27 Share-based payments CONTINUED

Inputs used to determine fair value of options

The weighted average inputs to the Black-Scholes models were as follows:

| | Grants 2022 | | | | Grants 2021 | | |
|-------------------------|------------------|------------------|------------------|------------------|-------------|-----------|-----------|
| | ELTIP | Sharesave | LTPP | DBP | ELTIP | Sharesave | LTPP |
| Average share price | 690p | 520p | 683p | 682p | 620p | 790p | 620p |
| Average exercise price | - | 436p | - | - | - | 604p | - |
| Expected volatility | 37.7% | 36.6% | 36.2% | 37.7% | 34.8% | 36.3% | 34.8% |
| Expected life | 2.0 years | 3.3 years | 3.0 years | 3.0 years | 2.0 years | 3.2 years | 3.0 years |
| Risk free interest rate | 0.50% | 1.40% | 0.58% | 0.65% | 0.05% | 0.21% | (0.04)% |
| Expected dividends | 4.2% | 8.4% | - | - | 3.70% | 3.63% | - |

Expected volatility was determined by reference to the historical volatility of the Group's share price over a period consistent with the expected life of the options. The expected life used in the models has been adjusted, based on the Directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

28 Non-controlling interests

| | Group | |
|--|--------------|-----------|
| | 2022 | 2021 |
| Movement in non-controlling interest share of net assets recognised in the Consolidated Balance Sheet | £m | £m |
| At 1 July | 1.1 | 1.4 |
| Distribution of profits to non-controlling partner | (0.4) | (0.6) |
| Share of profit for the year recognised in the Consolidated Income Statement | 0.1 | 0.3 |
| At 30 June | 0.8 | 1.1 |

There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities. Detailed arrangements for each subsidiary are laid out in the relevant shareholder and partnership agreements.

29 Contingent liabilities

Contingent liabilities related to subsidiaries

The Company has guaranteed certain bank borrowings of its subsidiary undertakings.

Certain subsidiary undertakings have commitments for the purchase of trading stock entered into in the normal course of business. In the normal course of business, the Group has given counterindemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £420.7m (2021: £423.8m) and confirm that, at the date of these Financial Statements, the possibility of cash outflow is considered minimal and no provision is required.

External wall systems and associated review

As disclosed in note 21, the Group has signed an industry pledge (the 'Pledge') to undertake or fund remediation or mitigation works on all buildings of 11 metres or above that it has developed or refurbished in the 30 years from the date of the Pledge, being April 2022, and to reimburse the Government's Building Safety fund and ACM fund wherever they have contributed to such activities.

The Group is currently undertaking a review of all of its current and legacy buildings where it has used EWS or cladding solutions and continues to assess the action required in line with the latest updates to government guidance, as it applies, to multi-storey and multi-occupied residential buildings. Approved inspectors signed off all of our buildings, including the EWS or cladding used, as compliant with the relevant building regulations at the time of completion.

At 30 June 2022, the Group held provisions of £434.6m (2021: £41.6m) in relation to EWS and associated reviews, including liabilities arising from commitments made under the Pledge based on management's best estimate of the cost and timing of remediation of in-scope buildings. It is possible that as remediation work proceeds, additional remedial works are required which do not relate to EWS or cladding solutions. Such works may not have been identified from the reviews and physical inspections undertaken to date and may only be identified when detailed remediation work is in progress. Therefore the nature, timing and extent of any such costs was unknown at the balance sheet date.

In addition, we recognise that the retrospective review of building materials and fire-safety matters continues to evolve. The Financial Statements have been prepared based on currently available information and regulatory guidance. However, these estimates may be updated if government legislation and regulation further evolves.

Citiscap and associated review

As disclosed in note 21, following the issues identified at Citiscap, the Group is conducting a review of developments where reinforced concrete frames have been designed by either the same original engineering firm which designed Citiscap, or by other companies within the group of companies which has since acquired it. The Financial Statements have been prepared based on currently available information; however, the detailed review is ongoing and the extent and cost of any remedial work may change as this work progresses. While in most cases we have no legal liability, in line with our commitment to put our customers first we will ensure that the costs associated with remedial works from these reviews are not borne by leaseholders.

We are actively seeking to recover costs from third parties in respect of EWS, Citiscap and the associated reviews; however, there is no certainty regarding the extent of any financial recovery.

Contingent liabilities related to JVs

The Group has given counter-indemnities in respect of performance bonds and financial guarantees to its JVs totalling £2.2m at 30 June 2022 (2021: £1.8m).

The Group has also given a number of performance guarantees in respect of the obligations of its JVs, requiring the Group to complete development agreement contractual obligations in the event that the JVs do not perform as required under the terms of the related contracts. At 30 June 2022, the probability of any loss to the Group resulting from these guarantees is considered to be remote.

Contingent liabilities related to legal claims

Provision is made for the Directors' best estimates 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.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

30 Related party transactions

Directors of Barratt Developments PLC and remuneration of key personnel

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

Disclosures related to the remuneration of key personnel as defined in IAS 24 are given in note 5.

There have been no related party transactions as defined in Listing Rule 11.1.5R for the year ended 30 June 2022.

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 | |
|---|------------|------------|
| | 2022 £m | 2021 £m |
| Transactions between the Company and its subsidiaries during the year: | | |
| Charges in respect of management and other services provided to subsidiaries | 146.5 | 111.7 |
| Net interest paid by the Company on net loans from subsidiaries | 24.5 | 15.8 |
| Dividends received from subsidiary undertakings | 517.4 | 8.7 |
| Balances at 30 June: | | |
| Amounts due by the Company to subsidiary undertakings | 323.5 | 764.3 |
| Amounts due to the Company from subsidiary undertakings | 79.2 | 76.0 |

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

Transactions between the Group and its JVs

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

| | Group | |
|---|------------|------------|
| | 2022 £m | 2021 £m |
| Transactions between the Group and its JVs during the year: | | |
| Charges in respect of development management and other services provided to JVs | 9.2 | 4.5 |
| Interest charges in respect of funding provided to JVs | 0.5 | 0.7 |
| Dividends received from JVs | 16.5 | 21.2 |
| Balances at 30 June: | | |
| Funding loans and interest due from JVs net of impairment | 94.0 | 86.0 |
| Other amounts due from JVs | 39.3 | 26.9 |
| Loans and other amounts due to JVs | (1.3) | (0.8) |

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 29.

31 Financial risk management

The Group's approach to risk management and the principal operational risks of the business are detailed on pages 52 to 57. The Group's financial assets and financial liabilities are detailed in note 23.

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 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.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations.

The Group's borrowings are typically cyclical throughout the financial year and peak in April to May, and October to November of each year, due to seasonal trends in income. Accordingly, the Group maintains sufficient facility headroom to cover these requirements. On a normal operating basis, the Group has a policy of maintaining a minimum headroom of £150.0m. The Group identifies and takes appropriate actions based on its regular, detailed system for the reporting and forecasting of cash flows from its operations. The Group's drawn debt, excluding fees, represented 24.1% (2021: 22.8%) of available committed facilities at 30 June 2022. In addition, the Group had £1,352.7 (2021: £1,518.6m) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2022. The Group's resilience to its principal risks has been modelled, together with possible mitigating actions, over a three-year period. At the date of approval of the Financial Statements, the Group's internal forecasts indicate that it will be able to operate within its current facilities and remain in compliance with these covenants for the foreseeable future, being at least 12 months from the date of signing these Financial Statements.

One of the Group's objectives is to minimise refinancing risk. The Group 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 2022, the average maturity of the Group's committed facilities was 3.8 years (2021: 4.0 years).

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

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Expiry date | | | | |
| In more than two years but not more than five years | 700.0 | 700.0 | 700.0 | 700.0 |

In addition, the Group had undrawn, uncommitted overdraft facilities available at 30 June 2022 of £37.0m (2021: £17.0m).

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

31 Financial risk management CONTINUED

The expected undiscounted cash flows of the Group and Company financial liabilities, by remaining contractual maturity at the balance sheet date were as follows:

| Group | Notes | Carrying amount £m | Contractual cash flow £m | Less than 1 year £m | 1–2 years £m | 2–5 years £m | Over 5 years £m |
|---|-------|-----------------------|-----------------------------|------------------------|-----------------|-----------------|--------------------|
| 2022 | | | | | | | |
| Loans and borrowings (including bank overdrafts) ¹ | 23 | 217.3 | 230.4 | 5.5 | 5.5 | 16.6 | 202.8 |
| Trade and other payables ² | 23 | 1,387.9 | 1,411.6 | 1,157.6 | 146.7 | 98.1 | 9.2 |
| Lease liabilities | 23 | 37.1 | 39.5 | 11.2 | 8.7 | 15.8 | 3.8 |
| | | 1,642.3 | 1,681.5 | 1,174.3 | 160.9 | 130.5 | 215.8 |
| 2021 | | | | | | | |
| Loans and borrowings (including bank overdrafts) ¹ | 23 | 205.3 | 235.9 | 5.5 | 5.5 | 16.6 | 208.3 |
| Trade and other payables ² | 23 | 1,293.8 | 1,320.1 | 1,003.2 | 173.0 | 129.8 | 14.1 |
| Lease liabilities | 23 | 40.7 | 48.6 | 12.1 | 8.6 | 15.6 | 12.3 |
| | | 1,539.8 | 1,604.6 | 1,020.8 | 187.1 | 162.0 | 234.7 |

¹ The Group is party to banking agreements that include a legal right of offset, which enables the overdraft balances of £17.3m (2021: £5.3m) to be settled net with cash balances. These balances have been excluded from contractual cash flows.

² Excludes deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

The Group had no derivative financial instruments at 30 June 2022 or 30 June 2021.

| Company | Notes | Carrying amount £m | Contractual cash flow £m | Less than 1 year £m | 1–2 years £m | 2–5 years £m | Over 5 years £m |
|--|-------|-----------------------|-----------------------------|------------------------|-----------------|-----------------|--------------------|
| 2022 | | | | | | | |
| Loans and borrowings (including bank overdrafts) | 23 | 200.0 | 230.4 | 5.5 | 5.5 | 16.6 | 202.8 |
| Trade and other payables ¹ | 23 | 16.7 | 16.7 | 16.7 | - | - | - |
| Intercompany payables | 23 | 323.5 | 323.5 | 323.5 | - | - | - |
| Lease liabilities | 23 | 4.2 | 4.3 | 1.1 | 1.0 | 2.2 | - |
| | | 544.4 | 574.9 | 346.8 | 6.5 | 18.8 | 202.8 |
| 2021 | | | | | | | |
| Loans and borrowings (including bank overdrafts) | 23 | 200.0 | 235.9 | 5.5 | 5.5 | 16.6 | 208.3 |
| Trade and other payables ¹ | 23 | 16.9 | 16.9 | 16.9 | - | - | - |
| Intercompany payables | 23 | 764.3 | 764.3 | 764.3 | - | - | - |
| Lease liabilities | 23 | 4.5 | 4.7 | 1.0 | 0.9 | 2.2 | 0.6 |
| | | 985.7 | 1,021.8 | 787.7 | 6.4 | 18.8 | 208.9 |

¹ Excludes tax and social security and other non-financial liabilities.

The Company had no derivative financial instruments at 30 June 2022 or 30 June 2021.

31 Financial risk management CONTINUED

Market risk (price risk)

Interest rate risk

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

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

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

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

| Group | Floating rate financial liabilities £m | Fixed rate financial liabilities £m | Non-interest bearing financial liabilities £m | Total £m |
|--|---|--|--|-------------|
| 2022 | | | | |
| Financial liability exposure to interest rate risk | - | 200.0 | 1,442.3 | 1,642.3 |
| 2021 | | | | |
| Financial liability exposure to interest rate risk | - | 200.0 | 1,339.8 | 1,539.8 |

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

| Company | Floating rate financial liabilities £m | Fixed rate financial liabilities £m | Non-interest bearing financial liabilities £m | Total £m |
|--|---|--|--|-------------|
| 2022 | | | | |
| Financial liability exposure to interest rate risk | - | 200.0 | 344.4 | 544.4 |
| 2021 | | | | |
| Financial liability exposure to interest rate risk | - | 200.0 | 785.7 | 985.7 |

Floating interest rates on Sterling borrowings are linked to SONIA and money market rates. The floating rates are fixed in advance for periods generally ranging from one to six months. Short-term flexibility is achieved through the use of overdraft, committed and uncommitted bank facilities. The Group retained a strong cash position throughout the year and, therefore, the Group did not draw on its RCF during the year and the use of other facilities was minimal. No interest was paid on floating rate borrowings in 2022 or 2021.

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 2022, if UK interest rates had been 0.5% higher (considered to be a reasonably possible change) and all other variables were held constant, the Group's pre-tax profit would increase by £4.9m (2021: £4.9m), the Group's post-tax profit would increase by £3.9m (2021: £4.0m) and, as such, the Group's equity would increase by £3.9m (2021: £4.0m). Had interest rates reduced to zero, the Group's pre-tax profit would decrease by £1.9m (2021: £0.5m) and the Group's post-tax profit and equity would decrease by £1.5m (2021: £0.4m).

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 £41.4m (2021: £29.9m) due from Homes England in respect of the Help to Buy scheme. Since this receivable is due from a UK Government agency, the Group considers that it has an insignificant risk of default. In addition, the Group has £1,352.7m (2021: £1,518.6m) on deposit with 14 (2021: 9) financial institutions. Other than this, neither the Group nor the Company has a significant concentration of credit risk, as their 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.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

31 Financial risk management CONTINUED

The maximum exposure to any counterparty at 30 June 2022 was £190.0m (2021: £244.0m) of cash on deposit with a financial institution. The carrying amount of financial assets recorded in the Financial Statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

As at 30 June 2022, the Company was exposed to £79.2m (2021: £76.0m) of credit risk in relation to intercompany loans, which are considered to be of low credit risk and fully recoverable, as well as financial guarantees, performance bonds and the bank borrowings of subsidiary undertakings. Further details are provided in notes 29 and 30.

Capital risk management (cash flow risk)

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

The Group manages its share capital as equity, as set out in the Statement of Changes in Shareholders' Equity, and its bank borrowings (being overdrafts and bank loans) and its private placement notes as other financial liabilities, as set out in note 23. The Group is subject to the prevailing conditions of the UK economy and the quantum of the Group's earnings is dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions, employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. The Group's approach to the management of the principal operational risks of the business is detailed on pages 52 to 57.

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

32 Post balance sheet events

On 6 September 2022 the Board approved a £200m share buyback programme, with an initial tranche of £50m to be completed the end of the calendar year and the total programme completed no later than 30 June 2023.

33 Group subsidiary undertakings

The entities listed below, and on the following pages, are subsidiaries of the Company or Group. All are registered in England and Wales or Scotland, with the exception of SQ Holdings Limited, which is registered in Guernsey. Unless otherwise stated, the results of these entities are consolidated within these Financial Statements.

Audit exemption

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 30 June 2022. The undertakings listed below are 100% owned, either directly or indirectly, by Barratt Developments PLC.

| Subsidiary | Company number |
|---|----------------|
| Acre Developments Limited | SC091934 |
| Base East Central Rochdale LLP | OC318544 |
| Base Hattersley LLP | OC318541 |
| Base Regeneration LLP | OC318540 |
| Basildon Regeneration (Barratt Wilson Bowden) Limited | 05876010 |
| BDW (F.R.) Limited | 05876012 |
| BDW (F.R. Commercial) Limited | 05876013 |
| BDW North Scotland Limited | SC027535 |
| Milton Park Homes Limited | 03787306 |
| Wilson Bowden Limited | 02059194 |
| Yeovil Developments Limited | 05285388 |

In accordance with section 479C of the Companies Act 2006, the Company will guarantee the debts and liabilities of the above UK subsidiary undertakings. As at 30 June 2022, the total sum of these debts and liabilities is £19.6m.

33 Group subsidiary undertakings CONTINUED

The Group owns 100% of the ordinary share capital of the following subsidiaries:

| Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes |
|--|-------------------|-------|--|-------------------|-------|---|-------------------|-------|
| Acre Developments Limited | 2 | A | Barratt East Midlands Limited | 1 | | Barratt West Midlands Limited | 1 | |
| Advance Housing Limited | 1 | A | Barratt East Scotland Limited | 58 | A | Barratt West Scotland Limited | 2 | |
| Ambrose Builders Limited | 1 | A | Barratt Eastern Counties Limited | 1 | A | Barratt Woking Limited | 1 | A |
| Barratt Bristol Limited | 1 | | Barratt Edinburgh Limited | 2 | A | Barratt York Limited | 1 | |
| Barratt Central Limited | 1 | | Barratt Evolution Limited | 1 | A | Bart 225 Limited | 1 | A |
| Barratt Chester Limited | 1 | A | Barratt Falkirk Limited | 2 | A | Basildon Regeneration (Barratt Wilson Bowden) Limited | 1 | A |
| Barratt Commercial Limited | 1 | | Barratt Leeds Limited | 1 | | BDW (F.R.) Limited | 1 | A |
| Barratt Construction (Southern) Limited | 1 | A | Barratt London Limited | 1 | | BDW (F.R. Commercial) Limited | 1 | A |
| Barratt Corporate Secretarial Services Limited | 1 | | Barratt Manchester Limited | 1 | A | BDW North Scotland Limited | 51 | |
| Barratt Developments (International) Limited | 1 | | Barratt Newcastle Limited | 1 | A | BDW Trading Limited | 1 | |
| Barratt Dormant (Atlantic Quay) Limited | 1 | A | Barratt North London Limited | 1 | | Bradgate Development Services Limited | 1 | A |
| Barratt Dormant (Blackpool) Limited | 1 | A | Barratt Northampton Limited | 1 | | Broad Oak Homes Limited | 1 | A |
| Barratt Dormant (Capella) Limited | 1 | A | Barratt Northern Limited | 1 | | C V (Ward) Limited | 1 | A |
| Barratt Dormant (Cheadle Hulme) Limited | 1 | A | Barratt Norwich Limited | 1 | A | Cameplot Limited | 1 | A |
| Barratt Dormant (Harlow) Limited | 1 | A | Barratt Pension Trustee Limited | 1 | | CHOQS 429 Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield C2) Limited | 1 | A | Barratt Poppleton Limited | 1 | A | Crossbourne Construction Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt Preston Limited | 1 | A | David Wilson Estates Limited | 1 | A |
| Barratt Dormant (Riverside Quarter) Limited | 1 | A | Barratt Properties Limited | 1 | A | David Wilson Homes (Anglia) Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt Scottish Holdings Limited | 2 | A | David Wilson Homes (East Midlands) Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt South London Limited | 1 | | David Wilson Homes (Home Counties) Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt South Wales Limited | 1 | | David Wilson Homes (North Midlands) Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt South West Limited | 1 | A | David Wilson Homes (Northern) Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt Southern Counties Limited | 1 | | David Wilson Homes (South Midlands) Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt Southern Limited | 1 | | David Wilson Homes (Southern) Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt Southern Properties Limited | 1 | A | David Wilson Homes (Western) Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt Special Projects Limited | 1 | A | David Wilson Homes Land (No 10) Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt St Mary's Limited | 1 | A | David Wilson Homes Land (No 11) Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt St Paul's Limited | 1 | A | David Wilson Homes Land (No 12) Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt Sutton Coldfield Limited | 1 | A | David Wilson Homes Land (No 13) Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt Trade And Property Company Limited | 2 | A | David Wilson Homes Land (No 14) Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt Urban Construction (East London) Limited | 1 | A | David Wilson Homes Land (No 15) Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt Urban Construction (Northern) Limited | 1 | A | David Wilson Homes Limited | 1 | A |
| Barratt Dormant (Riverside Exchange Sheffield L/M) Limited | 1 | A | Barratt Urban Construction (Scotland) Limited | 2 | A | David Wilson Homes Services Limited | 1 | A |

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

33 Group subsidiary undertakings CONTINUED

| Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes |
|---------------------------------------|-------------------|-------|--|-------------------|-------|--|-------------------|-------|
| David Wilson Homes Yorkshire Limited | 1 | A | Scottish Homes Investment Company, Limited | 2 | A | Ward Homes (London) Limited | 1 | A |
| Decorfresh Projects Limited | 1 | A | Skydream Property Co. Limited | 1 | A | Ward Homes (North Thames) Limited | 1 | A |
| Dicconson Holdings Limited | 1 | A | Squires Bridge Homes Limited | 1 | A | Ward Homes (South Eastern) Limited | 1 | A |
| E. Barker Limited | 1 | A | Squires Bridge Limited | 1 | A | Ward Homes Group Limited | 1 | A |
| E. Geary & Son Limited | 1 | A | Swift Properties Limited | 1 | A | Ward Homes Limited | 1 | A |
| English Oak Homes Limited | 1 | | The French House Limited | 1 | A | Ward Insurance Services Limited | 1 | A |
| Francis (Springmeadows) Limited | 1 | A | Tomnik Limited | 1 | A | Wards Construction (Industrial) Limited | 1 | A |
| Frenchay Developments Limited | 1 | A | Trencherwood Commercial Limited | 1 | A | Wards Construction (Investments) Limited | 1 | A |
| G.D. Thorne (Construction) Limited | 1 | A | Trencherwood Construction Limited | 1 | A | Wards Country Houses Limited | 1 | A |
| G.D. Thorne (Holdings) Limited | 1 | A | Trencherwood Developments Limited | 1 | A | Waterton Tennis Centre Limited | 29 | A |
| Gladman Developments Limited | 1 | A | Trencherwood Estates Limited | 1 | A | WBD (Wokingham) Limited | 1 | A |
| Glasgow Trust Limited | 2 | A | Trencherwood Group Services Limited | 1 | A | Westcountry Land (Union Corner) Limited | 1 | A |
| Hartwood House Limited | 1 | | Trencherwood Homes (Holdings) Limited | 1 | A | William Corah & Son Limited | 1 | A |
| Hawkstone (South West) Limited | 1 | A | Trencherwood Homes (Midlands) Limited | 1 | A | William Corah Joinery Limited | 1 | A |
| Heartland Development Company Limited | 1 | A | Trencherwood Homes (South Western) Limited | 1 | A | Wilson Bowden (Atlantic Quay Number 2) Limited | 1 | A |
| Idle Works Limited | 1 | A | Trencherwood Homes (Southern) Limited | 1 | A | Wilson Bowden (Ravenscraig) Limited | 1 | A |
| J. G. Parker Limited | 1 | A | Trencherwood Homes Limited | 1 | A | Wilson Bowden City Homes Limited | 1 | A |
| James Harrison (Contracts) Limited | 2 | A | Trencherwood Housing Developments Limited | 1 | A | Wilson Bowden Developments Limited | 1 | A |
| Janellis (No.2) Limited | 1 | A | Trencherwood Investments Limited | 1 | A | Wilson Bowden Group Services Limited | 1 | A |
| Kealoha 11 Limited | 1 | A | Trencherwood Land Holdings Limited | 1 | A | Wilson Bowden Limited | 1 | A |
| Kealoha Limited | 1 | A | Trencherwood Land Limited | 1 | A | Yeovil Developments Limited | 1 | A |
| Kingsoak Homes Limited | 1 | | Trencherwood Retirement Homes Limited | 1 | A | | | |
| Knightsdale Homes Limited | 1 | | Vizion (Milton Keynes) Limited | 1 | A | | | |
| Lindmere Construction Limited | 1 | A | VSM (Bentley Priory 1) Limited | 1 | A | | | |
| Marple Development Company Limited | 1 | A | VSM (Bentley Priory 2) Limited | 1 | A | | | |
| Meridian Press Limited | 1 | A | VSM (Bentley Priory 3) Limited | 1 | A | | | |
| Milton Park Homes Limited | 1 | A | VSM (Bentley Priory 4) Limited | 1 | A | | | |
| Mountdale Homes Limited | 1 | | VSM (Bentley Priory 5) Limited | 1 | A | | | |
| Norfolk Garden Estates Limited | 1 | A | VSM (Bentley Priory 6) Limited | 1 | A | | | |
| North West Land Developments Limited | 1 | A | Ward (Showhomes) Limited | 1 | A | | | |
| Oregon Contract Management Limited | 51 | A | Ward Brothers (Gillingham) Limited | 1 | A | | | |
| Oregon Timber Frame Limited | 51 | A | Ward Holdings Limited | 1 | A | | | |
| Oregon Timber Frame (England) Limited | 1 | A | | | | | | |
| Redbourne Builders Limited | 1 | A | | | | | | |
| Roland Bardsley Homes Limited | 1 | A | | | | | | |
| Scothomes Limited | 2 | A | | | | | | |

33 Group subsidiary undertakings CONTINUED

Subsidiaries of the Group which are management companies limited by guarantee:

| Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes |
|---|-------------------|-------|---|-------------------|-------|--|-------------------|-------|
| 28-33 Imperial Park Management Company Limited | 26 | A, B | Bentley Fields Residents Management Company Limited | 23 | A, B | Brook Gardens Barnham Management Company Limited | 9 | A, B |
| Abbey Gate Residents Management Company Limited | 5 | A, B | Bermondsey Heights Residents Energy Management Company Limited | 4 | A, B | Brooklands (Milton Keynes) Management Company Limited | 54 | A, B |
| Abbey View Residents Management Company Limited | 57 | A, B | Bermondsey Heights Residents Management Company Limited | 4 | A, B | Bruneval Gardens (Wellesley) Management Company Limited | 10 | A, B |
| Abbotts Green (Woolpit) Management Company Limited | 14 | A, B | Berry Acres (Paignton) Management Company Limited | 40 | A, B | Bure Meadows (Aylsham) Management Company Limited | 10 | A, B |
| Abbotts Meadow (Steventon) Management Company Limited | 12 | A, B | Bilberry Chase Residents Management Company Limited | 5 | A, B | Canal Quarter Resident Management Company Limited | 16 | A, B |
| Adderbury Fields Management Company Limited | 5 | A, B | Birds Marsh View Chippenham Apartment Resident Management Company Limited | 13 | A, B | Cane Hill Park (Coulsdon) Management Company Limited | 54 | A, B |
| Aldhelm Court Management Company Limited | 30 | A, B | Bishop Fields (Hereford) Management Company Limited | 20 | A, B | Cane Hill Park (Gateway) Management Company Limited | 53 | A, B |
| Alexander Gate Management Company Limited | 57 | A, B | Bishop Park (Henfield) Management Company Limited | 53 | A, B | Canes Meadow (Brixton) Management Company Limited | 40 | A, B |
| Amberswood Rise Management Company Limited | 57 | A, B | Bishops Green (Wells) Management Company Limited | 30 | A, B | Canford Paddock (Poole) Management Company Limited | 46 | A, B |
| Ambler's Meadow (East Ardsley) Management Company Limited | 10 | A, B | Bishop's Hill Residents Management Company Limited | 23 | A, B | Carlton Green (Carlton) Management Company Limited | 9 | A, B |
| Applegarth Manor (Oulton) Management Company Limited | 10 | A, B | Blackberry Park Residents Management Company Limited | 13 | A, B | Castle Hill (DWH1) Residents Management Company Limited | 8 | A, B |
| Applegate (Sittingbourne) Management Company Limited | 66 | A, B | Blackdown Heights (Crimchard) Management Company Limited | 31 | A, B | Castlegate & Mowbray Park Management Company Limited | 6 | A, B |
| Ashridge Grange (Wokingham) Management Company Limited | 10 | A, B | Blackhorse View Energy Centre Management Company | 1 | A, B | Cedar Ridge Management Company Limited | 10 | A, B |
| Aylesham Village (Barratt) Residents Management Company Limited | 49 | A, B | Blackhorse View Residents Management Company | 1 | A, B | Central Area Heat Company Limited | 12 | A, B |
| B5 Central Residents Management Company Limited | 23 | A, B | Blackwater Reach (Southminster) Management Company Limited | 52 | A, B | Centurion Village Management Company Limited | 36 | A, B |
| Baggeridge Village Management Company Limited | 5 | A, B | Blossomfields Residents Management Company Limited | 5 | A, B | Ceres Rise Residents Management Company Limited | 21 | A, B |
| Barley Fields Management Company Limited | 10 | A, B | Bluebell Woods (Wyke) Management Company Limited | 10 | A, B | Chalkers Rise (Peacehaven) Management Company Limited | 10 | A, B |
| Beaufort Park (Wotton Bassett) Management Limited | 50 | A, B | Bodington Manor (Adel) Management Company Limited | 9 | A, B | Chapel Gate (Launceston) Management Company Limited | 40 | A, B |
| Beavans House Management Company Limited | 1 | A, B | Bowds House Management Company Limited | 1 | A, B | Charfield Gardens Management Company Limited | 10 | A, B |
| Beeston Quarter Apartments (Beeston) Management Company Limited | 8 | A, B | Braid Park (Tiverton) Management Company Limited | 40 | A, B | Cherry Blossom Meadow (Newbury) Management Company Limited | 12 | A, B |
| Belle Vue (Doncaster) Management Company Limited | 6 | A, B | Brindsley (Old Mill Farm) Management Company Limited | 60 | A, B | City Heights Apartments (Leicester) Management Company Limited | 8 | A, B |

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

33 Group subsidiary undertakings CONTINUED

| Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes |
|---|-------------------|-------|---|-------------------|--|--|-------------------|-------|
| Clements Gate (Poringland 2) Management Company Limited | 54 | A, B | Doseley Park Residents Management Company Limited | 5 | A, B | Farrier Place - Canford Paddock Phase 2 (Poole) Management Company Limited | 46 | A, B |
| Clipstone Park (Leighton Buzzard) Management Company Limited | 54 | A, B | Drayton Meadows Management Company Limited | 23 | A, B | Ferris House Management Company Limited | 64 | A, B |
| Coat Grove (Martock) Management Company Limited | 40 | A, B | Drovers Court (Micklefield) Management Company Limited | 9 | A, B | Filwood Park Management Company Limited | 13 | A, B |
| Colliers Court (Speedwell) Management Company Limited | 13 | A, B | Dunmore Road (Abingdon) Management Company Limited | 12 | A, B | Forest Walk, Whiteley Management Company Limited | 48 | A, B |
| Compass Point (Swanage Grammar School) Management Company Limited | 46 | A, B | Dunstall Park (Tamworth) Residents Management Company Limited | 20 | A, B | Fradley Manor Management Company Limited | 20 | A, B |
| Compass Point (Swanage) Management Company Limited | 46 | A, B | Earls Park Management Company Limited | 30 | A, B | Freemen's Meadow Residents Management Company Limited | 26 | A, B |
| Coppice Green Lane Management Company Limited | 20 | A, B | East Ham Market Energy Centre Management Company | 1 | A, B | Garnett Wharf (Otley) Management Company Limited | 9 | A, B |
| Corinthian Place Management Company Limited | 47 | A, B | East Ham Market Residents Management Company | 1 | A, B | Gerway Management Limited | 40 | A, B |
| Cricket Field Grove (Crowthorne) Management Company Limited | 10 | A, B | Eastman Village Energy Centre Management Company Limited | 1 | A, B | Gilden Park (Old Harlow) Residents Management Company Limited | 8 | A, B |
| Cringleford Heights Management Company Limited | 61 | A, B | Eastman Village Residents Management Company Limited | 1 | A, B | Gillies Meadow (Basingstoke) Management Company Limited | 12 | A, B |
| Croft Gardens (Phase 2) Management Company Limited | 12 | A, B | Ecclesden Park (Angmering) Management Company Limited | 18 | A, B | Glenvale Park Management Company Limited | 43 | A, B |
| Daracombe Gardens Management Company Limited | 33 | A, B | Edwalton (Sharp Hill) Management Company Limited | 48 | A, B | Grange Park (Hampsthwaite) Management Company Limited | 10 | A, B |
| Darwin Green Management Company Limited | 54 | A, B | Eldebury Place (Chertsey) Management Company Limited | 53 | A, B | Great Dunmow Grange Management Company Limited | 18 | A, B |
| De Cheney Gardens Management Company Limited | 30 | A, B | Elderwood (Bannerdale) Management Company Limited | 9 | A, B | Greylees Management Company Limited | 16 | A, B |
| De Havilland Place (Hatfield) Limited | 22 | A, B | Elworthy Place (Wiveliscombe) Management Company Limited | 31 | A, B | H2363 Limited | 50 | A, B |
| De Lacy Fields KM8 Management Company Limited | 5 | A, B | Elysian Fields (Adel) Management Company Limited | 10 | A, B | Hallam Park Residents Management Company Limited | 23 | A, B |
| De Lacy Fields KM12 Management Company Limited | 5 | A, B | Embden Grange (Tavistock) Management Company Limited | 40 | A, B | Hampton Water Management Company Limited | 15 | A, B |
| Deddington Grange Management Company Limited | 5 | A, B | Emmet's Reach (Birkenshaw) Management Company Limited | 42 | A, B | Hanwood Park Community Partnership Limited | 17 | A, B |
| Delamere Park (Nunney) Management Company Limited | 50 | A, B | Ersham Park (Hailsham) Management Company Limited | 10 | A, B | Harbour Place (Bedhampton) Management Company Limited | 35 | A, B |
| Dickens Gate (Staplehurst) Management Company Limited | 8 | A, B | Fairfield Croft Management Company Limited | 6 | A, B | Highgrove Gardens (Romsey) Management Company Limited | 46 | A, B |
| Dida Gardens (Didcot) Management Company Limited | 12 | A, B | Fairfield (Stony Stratford) Management Company Limited | 54 | A, B | Hillside Gardens (Orchard RW) Residents Management Company Limited | 40 | A, B |
| Donnington Heights (Newbury) Management Company Limited | 12 | A, B | | | Hollygate Park (Cotgrave) Management Company Limited | 16 | A, B | |
| | | | | | Harlow Gateway Limited | 25 | A, B | |
| | | | | | Hartley Brook (Netherton) Management Company Limited | 9 | A, B | |

33 Group subsidiary undertakings CONTINUED

| Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes |
|--|-------------------|-------|---|-------------------|-------|---|-------------------|-------|
| Haskins House Management Company Limited | 1 | A, B | Inglewhite Meadows Residents Management Company Limited | 8 | A, B | Lancaster Gardens Management Company Limited | 6 | A, B |
| Hawley Gardens Management Company Limited | 36 | A, B | Jenkins House Management Company Limited | 1 | A, B | Landmark Square Wokingham Management Limited | 12 | A, B |
| Hayes Village Energy Centre Management Company Limited | 1 | A, B | Keeper's Meadow Residents Management Company Limited | 23 | A, B | Langham Mews Management Company Limited | 44 | A, B |
| Hayes Village Resident Management Company Limited | 1 | A, B | Kennett Heath Management Limited | 8 | A, B | Lavender Grange (Stondon) Resident Management Company Limited | 54 | A, B |
| Heather Croft (Pickering) Management Company Limited | 9 | A, B | Kilners Grange (Tongham) Management Company Limited | 53 | A, B | Lavendon Fields (Olney) Residents Management Company Limited | 57 | A, B |
| Heathwood Park (Lindfield) Management Company Limited | 28 | A, B | Kingfisher Meadow (Horsford) Management Company Limited | 14 | A, B | Lay Wood (Devizes) Management Company Limited | 13 | A, B |
| Helme Ridge (Meltham) Management Company Limited | 54 | A, B | Kingfisher Meadows Residents Management Company Limited | 23 | A, B | Letcombe Gardens (Grove) Management Company Limited | 41 | A, B |
| Henbrook Gardens Management Company Limited | 20 | A, B | Kingley Gate (Littlehampton) Management Company Limited | 53 | A, B | Linnere (Houghton Regis) Management Company Limited | 15 | A, B |
| Hendon Waterside Energy Centre Management Company Limited | 1 | A, B | Kings Lodge (Chilwell) Management Company Limited | 8 | A, B | Lock Keeper's Gate (Low Barugh) Management Company Limited | 10 | A, B |
| Hendon Waterside Residents Management Company Limited | 1 | A, B | Kingsbourne (Nantwich) Community Management Company Limited | 8 | A, B | Locksbridge Park (Andover) Management Company Limited | 12 | A, B |
| Hengist Field Management Company Limited | 55 | A, B | Kingsbrook Estate Management Company Limited | 16 | A, B | Lockwood Fields (Chidswell) Management Company Limited | 10 | A, B |
| Heron House (Wichelstowe) Management Company Limited | 1 | A, B | Kings Chase Residents Management Company Limited | 25 | A, B | Lordswood Gardens Residents Management Company Limited | 5 | A, B |
| Hesslewood Park Management Company Limited | 10 | A, B | Kingsdown Gate (Swindon) Management Company Limited | 13 | A, B | Lubbesthorpe R5 Management Company Limited | 60 | A, B |
| Hewenden Ridge (Cullingworth) Management Company Limited | 9 | A, B | Kingsley Meadows (Harrogate) Management Company Limited | 6 | A, B | Lucerne Fields (Ivybridge) Management Company Limited | 40 | A, B |
| High Elms Park (Hullbridge) Management Company Limited | 47 | A, B | Kings Lodge (Hatfield) Management Company Limited | 25 | A, B | Luneside Mills Management Company Limited | 8 | A, B |
| High Street Quarter Energy Centre Management Company Limited | 1 | A, B | Kipling Road (Ledbury) Residents Management Company Limited | 20 | A, B | Lyde View Residents Management Company Limited | 10 | A, B |
| High Street Quarter Residents Management Company Limited | 1 | A, B | Knights Park (Watton) Management Company Limited | 54 | A, B | Madden Gardens Residents Management Company Limited | 11 | A, B |
| Hillgrove Gardens (Romsey) Management Company Limited | 46 | A, B | Knights Rise (Temple Cloud) Management Company Limited | 30 | A, B | Madgwick Park Management Company Limited | 46 | A, B |
| Hillside Gardens (Orchard RW) Residents Management Company Limited | 40 | A, B | KP (Macclesfield) Residents Management Company Limited | 26 | A, B | Marham Park Management Company Limited | 18 | A, B |
| Hollygate Park (Cotgrave) Management Company Limited | 16 | A, B | KW (Site B) Management Company Limited | 12 | A, B | Market Warsop (Stonebridge Lane) Management Company Limited | 16 | A, B |
| Infinity Park Derby Management Limited | 1 | A, B | Ladden Garden Village Apartment Blocks BCD Management Company Limited | 30 | A, B | Marlborough Grove Estate Management Company Limited | 16 | A, B |
| | | | Ladden Garden Village Management Company Limited | 30 | A, B | Marston Park (Marston Moretaine) Management Company Limited | 54 | A, B |
| | | | Lakeside Walk (Hamworthy) Management Company Limited | 35 | A, B | | | |

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

33 Group subsidiary undertakings CONTINUED

| Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes |
|--|-------------------|-------|---|-------------------|-------|---|-------------------|-------|
| Martello Lakes (Barratt) Resident Management Company Limited | 8 | A, B | Nant Y Castell (Caldicot) Management Company Limited | 33 | A, B | Orchard Gate (Kingston Bagpuize) Management Company Limited | 12 | A, B |
| Martello Lakes (Hythe) Resident Management Company Limited | 66 | A, B | Needham's Grange Residents Management Company Limited | 20 | A, B | Orchard Green Estate Management Company Limited | 16 | A, B |
| Martingale Chase (Newbury) Management Company Limited | 8 | A, B | Needingworth Park Residents Management Company Limited | 56 | A, B | Orchard Meadows (Appleton) Management Company Limited | 45 | A, B |
| Meadowburne Place (Willingdon) Management Company Limited | 54 | A, B | Nerrols Grange (Taunton) Management Company Limited | 13 | A, B | Oughtibridge Valley (Oughtibridge) Management Company Limited | 9 | A, B |
| Meadowfields (Boroughbridge) Management Company Limited | 9 | A, B | Netherwood (Darfield) Management Company Limited | 42 | A, B | Overstone Gate Residents Management Company Limited | 56 | A, B |
| Meadow View Watchfield Management Company Limited | 13 | A, B | Newbery Corner Management Company Ltd | 13 | A, B | Parc Fferm Wen (St Athen) Management Company Limited | 33 | A, B |
| Melton Mowbray (Kirby Lane) Management Company Limited | 60 | A, B | New Heritage (Bordon) Management Company Limited | 46 | A, B | Parish Brook Residents Management Company Limited | 32 | A, B |
| Merlin Gate (Newent) Management Company Limited | 50 | A, B | New Mill Quarter (BL) Residents Management Company Limited | 8 | A, B | Park Farm (Thornbury) Community Interest Company | 30 | A, B |
| Mill Brook (Westbury) Management Company Limited | 63 | A, B | New Mill Quarter Estate Resident Management Company Limited | 8 | A, B | Patch Meadows (Somerton) Management Company Limited | 30 | A, B |
| Millbrook Park (Phase 9) Energy Centre Management Company Limited | 1 | A, B | Niveus Walk (Shaftesbury) Management Company Limited | 7 | A, B | Pavilion Square (Phase 2) Management Company Limited | 6 | A, B |
| Millbrook Park (Phase 9) Residents' Management Company Limited | 1 | A, B | Northfield Park (Patchway) Management Company Limited | 32 | A, B | Pavilion Square (Pocklington) Management Company Limited | 6 | A, B |
| Mill Springs (Whitchurch) Management Company Limited | 34 | A, B | Northstowe Residents Management Company Limited | 54 | A, B | Peasedown Meadows Management Company Limited | 30 | A, B |
| Minerva (Apartments) Management Company Limited | 40 | A, B | Northwalls Grange (Taunton) Management Company Limited | 30 | A, B | Pebble Walk (Hayling Island) Management Company Limited | 54 | A, B |
| Monarchs Keep (Bursledon) Management Company Limited | 46 | A, B | Norton Farm Management Company Limited | 20 | A, B | Pembridge Park (Phase 2) Management Company Limited | 26 | A, B |
| Montague Park (Buckhurst Farm) Management Company Limited | 12 | A, B | Notton Wood View (Royston) Management Company Limited | 42 | A, B | Pembroke Park (Cirencester) Management Company Limited | 30 | A, B |
| Montague Park No2 (Buckhurst Farm) Management Company Limited | 12 | A, B | Oak Hill Mews Management Company Limited | 20 | A, B | Penndrumm (Looe) Management Company Limited | 40 | A, B |
| Monument House Management Company Limited | 54 | A, B | Oakfield Village Estate Management Company Limited | 16 | A, B | Perry Court (Faversham) Management Company Limited | 54 | A, B |
| Moorland Gate (Bishops Lydeard) Management Company Limited | 50 | A, B | Oakfields Residential Management Company Limited | 5 | A, B | Phase 3 Clark Drive LGV Management Company Limited | 32 | A, B |
| Mortimer Park (Driffield) Management Company Limited | 9 | A, B | Oakhill Gardens (Swanmore) Management Company Limited | 7 | A, B | Phase 3 Clark Drive 2 LGV Management Company Limited | 32 | A, B |
| Mortimer Place (Hatfield Peverel) Residents Management Company Limited | 14 | A, B | Oaklands (Pontefract) Management Company Limited | 9 | A, B | Phoenix And Scorseby Park Management Company Limited | 6 | A, B |
| Morton Meadows (Thornbury) Management Company Limited | 50 | A, B | Oatley Park Management Company Limited | 62 | A, B | Phoenix Quarter - Apt - Management Company Limited | 49 | A, B |
| | | | Okement Park (Okehampton) Management Company Limited | 31 | A, B | Phoenix Quarter Estate Management Company Limited | 49 | A, B |

33 Group subsidiary undertakings CONTINUED

| Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes |
|--|-------------------|-------|--|-------------------|--|---|-------------------|-------|
| Pinewood Park (Formby) Management Company Limited | 57 | A, B | Riverdown Park (Salisbury) Management Company Limited | 54 | A, B | Silkwood Gate (Wakefield) Management Company Limited | 9 | A, B |
| Pinn Brook Park (Monkerton) Management Company Limited | 40 | A, B | Riverside Grange (Farmbridge) Management Company Limited | 9 | A, B | Spinney Fields Residents Management Company Limited | 5 | A, B |
| PL2 Plymouth (2016) Limited | 40 | A, B | Romans Edge Godmanchester Management Company Limited | 54 | A, B | Spitfire Green, (Manston) Residents Management Company Limited | 49 | A, B |
| Poppy Fields (Cottingham) Management Company Limited | 6 | A, B | Romans' Quarter (Bingham) Residential Management Company Limited | 55 | A, B | Spring Valley View (Clayton) Management Company Limited | 10 | A, B |
| Portman Square West Village Reading Management Company Limited | 12 | A, B | Ronkswood Residents Management Company Limited | 20 | A, B | Springfield Place Resident Management Company Limited | 4 | A, B |
| Preston Grange Residents Management Company Limited | 3 | A, B | Rose and Lillies Residents Management Company Limited | 23 | A, B | St Andrews View (Morley) Management Co. Limited | 42 | A, B |
| Priestley House Management Company Limited | 54 | A, B | Rosewood Park Bexhill Residents Management Company Limited | 8 | A, B | St James Gardens (Wick) Management Company Limited | 29 | A, B |
| Priory Fields (Pontefract) Management Company Limited | 10 | A, B | RV North Petherton Residents Management Company Limited | 32 | A, B | St James Management Company Limited | 9 | A, B |
| Prospect Rise (Whitby) Management Company Limited | 6 | A, B | Ryebank Gate (Yapton) Management Company Limited | 28 | A, B | St Johns View Residents Management Company Limited | 57 | A, B |
| Quarter Jack Park (Wimborne) Management Company Limited | 46 | A, B | Salters Brook (Cudworth) Management Company Limited | 42 | A, B | St Rumbolds Fields Management Company Limited | 16 | A, B |
| Raleigh Holt (Barnstaple) Management Company Limited | 40 | A, B | Sandbrook Park Management Company Limited | 16 | A, B | St. Andrews Place (Morley) Management Co. Limited | 42 | A, B |
| Ramsey Park Residents Management Company Limited | 56 | A, B | Sandridge Place (Melksham) Management Company Limited | 10 | A, B | St. John's Walk (Hoylandswaine) Management Company Limited | 54 | A, B |
| Ravenhill Park Management Company Limited | 20 | A, B | Saunderson Gardens Management Co Limited | 10 | A, B | St. Mary's Park (Hartley Wintney) Management Company Limited | 25 | A, B |
| Redhayes Management Company Limited | 40 | A, B | Sawbridge Park (Sawbridgeworth) Management Company Limited | 16 | A, B | St. Oswald's View (Methley) Management Company Limited | 9 | A, B |
| Redlodge (Suffolk) Management Company Limited | 14 | A, B | Saxon Corner (Emsworth) Management Company Limited | 46 | A, B | Stansted Road (Kingswood Place Elsenham) Management Company Limited | 18 | A, B |
| Redwood Heights (Plymouth) Management Company Limited | 40 | A, B | Saxon Dean (Silsden) Management Company Limited | 10 | A, B | Stotfold Park Management Company Limited | 10 | A, B |
| Residents Management Company (Beaconside) Limited | 57 | A, B | Saxon Fields (Cullompton) Management Company Limited | 40 | A, B | Summersfield (Papworth) Management Company Limited | 54 | A, B |
| Richmond Park (Whitfield) Residents Management Company Limited | 8 | A, B | Saxon Fields (Thanington) Management Company Limited | 66 | A, B | Swallows Field (Hemel Hempstead) Management Company Ltd | 22 | A, B |
| Ridgeway Residential Management Company Limited | 11 | A, B | Saxon Gate (Leonard Stanley) Management Company Limited | 10 | A, B | Swan Mill (Newbury) Management Company Limited | 12 | A, B |
| Ridgeway Views Energy Centre Management Company | 1 | A, B | Saxon Gate (Stamford Bridge) Management Company Limited | 6 | A, B | Swinbrook Park (Carterton) Management Company Limited | 12 | A, B |
| Ridgeway Views Residents Management Company | 1 | A, B | Saxon Mills (Hassocks) Management Company Limited | 53 | A, B | Tarka Ridge (Yelland) Management Company Limited | 40 | A, B |
| River Meadow (Stanford in the Vale) Management Company Limited | 12 | A, B | Scotgate Ridge (Honley) Management Company Limited | 42 | A, B | Templar's Chase (Wetherby) Management Company Limited | 9 | A, B |
| River Whitewater (Hook) Limited | 10 | A, B | | | The Acorns and Hunters Wood Management Company Limited | 54 | A, B | |

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

33 Group subsidiary undertakings CONTINUED

| Subsidiary | Registered office | Notes | Subsidiary | Registered office | Notes |
|--|-------------------|-------|---|-------------------|-------|
| The Belt Open Space Management Co Limited | 6 | A, B | Tranby Fields Management Company Limited | 10 | A, B |
| The Bridleways (Eccleshill) Management Company Limited | 54 | A, B | Treledan (Saltash) Management Company Limited | 31 | A, B |
| The Causeway Park (Petersfield) Management Company Limited | 34 | A, B | Trumpington Meadows Residents Management Company Limited | 10 | A, B |
| The Chase (Newbury) Management Company Limited | 12 | A, B | Trumpington (Phase 8-11) Management Company Limited | 10 | A, B |
| The Chocolate Works Management Company Limited | 37 | A, B | Trumpington Vista Management Company Limited | 16 | A, B |
| The Courtyard (Darwin Green) Management Company Limited | 16 | A, B | Union Park (Falmouth) Management Company Limited | 40 | A, B |
| The Furlongs (Westergate) Management Company Limited | 46 | A, B | Upton Gardens Energy Centre Management Company | 1 | A, B |
| The Glassworks (Catcliffe) Management Company Limited | 10 | A, B | Upton Gardens Residents Management Company | 1 | A, B |
| The Grange (Lightcliffe) Management Company Limited | 10 | A, B | Victoria Heights (Alphington) Management Company Limited | 40 | A, B |
| The Meads (Frampton Cotterell) Management Company Limited | 13 | A, B | Wadsworth Gardens (Cleckheaton) Management Company Limited | 42 | A, B |
| The Mounts Residents Management Company Limited | 5 | A, B | Waite House Management Company Limited | 1 | A, B |
| The Old Meadow Management Company Limited | 41 | A, B | Waldmers Wood Management Company Limited | 57 | A, B |
| The Orchards (Hildersley) Management Company Limited | 10 | A, B | Walton Gate (Felixstowe) Management Company Limited | 14 | A, B |
| The Paddocks (Skelmanthorpe) Management Company Limited | 10 | A, B | Warboys Management Company Limited | 38 | A, B |
| The Paddocks (Southmoor) Management Company Limited | 12 | A, B | Warren Grove (Storrington) Management Company Limited | 49 | A, B |
| The Pastures (Knaresborough) Management Company Limited | 6 | A, B | Waters Edge (Mossley) Management Company Limited | 8 | A, B |
| The Pavilions Management Company (Southampton) Limited | 46 | A, B | Waterside (The Quays Barry) Management Company Number 1 Limited | 29 | A, B |
| The Pavilions Resident Management Company Limited | 23 | A, B | Waterside (The Quays Barry) Management Company Number 2 Limited | 29 | A, B |
| The Spires (Chesterfield) Management Company Limited | 26 | A, B | Waterside (The Quays Barry) Management Company Number 3 Limited | 29 | A, B |
| The Vineyards Management Company Limited | 30 | A, B | Watkin Road Energy Centre Management Company | 1 | A, B |
| The Woodlands (Sturry) Management Company Limited | 66 | A, B | Watkin Road Residents Management Company | 1 | A, B |
| Townsend Landing (Henstridge) Management Company Limited | 31 | A, B | Wayland Fields Residents Management Company Limited | 14 | A, B |

| Subsidiary | Registered office | Notes |
|---|-------------------|-------|
| WBD (Kingsway Management) Limited | 1 | A, B |
| Weavers Chase (Golcar) Management Company Limited | 9 | A, B |
| Webheath (Redditch) Management Company Limited | 33 | A, B |
| Wedgwood Residents Management Company Limited | 5 | A, B |
| Wendel View Residents Management Company Limited | 56 | A, B |
| Westbridge Park (Auckley) Management Company Limited | 26 | A, B |
| Westminster View (Clayton) Management Company Limited | 10 | A, B |
| Weston Meadows, Calne Management Company Limited | 50 | A, B |
| Whalley Road (Barrow) Management Company Limited | 8 | A, B |
| Wichelstowe Estate Management CIC | 1 | A, B |
| Willow Grove (Stopsley) Management Company Limited | 8 | A, B |
| Willow Grove (Wixams) Management Company Limited | 54 | A, B |
| Willow Lane (Beverley) Management Company Limited | 6 | A, B |
| Willow Lane (Beverley) Phase 2 Management Company Limited | 65 | A, B |
| Willowmead (Wiveliscombe) Management Company Limited | 50 | A, B |
| Winnington View Management Company Limited | 26 | A, B |
| Winnington Village Community Management Company Limited | 26 | A, B |
| Withies Bridge Management Company Ltd | 30 | A, B |
| Woodhall Grange Management Company Limited | 6 | A, B |
| Woodland Heath Residential Management Company Limited | 14 | A, B |
| Wychwood Park (Haywards Heath) Management Company Limited | 53 | A, B |

33 Group subsidiary undertakings CONTINUED

Other subsidiary entities:

| Subsidiary | Registered office | Notes | Class of share held | % of shares owned |
|---|-------------------|-------|---------------------|-------------------|
| Base East Central Rochdale LLP | 1 | A | N/A | N/A |
| Base Hattersley LLP | 1 | A | N/A | N/A |
| Base Regeneration LLP | 1 | A | N/A | N/A |
| Base Werneth Oldham LLP | 1 | A | N/A | N/A |
| BLLQ LLP | 1 | A | N/A | N/A |
| BLLQ2 LLP | 1 | A | N/A | N/A |
| SQ Holdings Limited | 53 | A | Ordinary | 90% |
| Vizion (MK) Properties LLP | 1 | A | N/A | N/A |
| Ash Tree Court Management Co. Ltd | 1 | A, D | Ordinary | 0% |
| Aspects Management Company Limited | 27 | A | Ordinary | 50% |
| Broomhill Park Estates Residents Association Limited | 1 | A | Ordinary | 87% |
| Buckshaw Village Management Company Limited | 8 | A | Ordinary | 50% |
| Foxcote Mead Management Company Limited | 1 | A | Ordinary | 100% |
| GWQ Management Limited | 24 | A, C | Ordinary | 0% |
| Hazelmere Management Company Limited | 1 | A, D | Ordinary | 0% |
| Interlink Park Management Company Limited | 1 | A, D | Ordinary | 0% |
| Meridian Business Park Extension Management Company Limited | 1 | A, C | Ordinary | 2% |
| Newbury Racecourse Management Limited | 19 | A, D | Ordinary | 0% |
| Nexus Point Management Company Limited | 1 | A, C | Ordinary | 0% |
| Nottingham Business Park Management Company Limited | 1 | A, C | Ordinary | 2% |
| Nottingham Business Park (Orchard Place) Management Company Limited | 1 | A, C | Ordinary | 2% |
| Optimus Point Management Company Limited | 1 | A, C | Ordinary | 0% |
| Pye Green Management Company Limited | 20 | A, C | Ordinary | 17% |
| Riverside Exchange Management Company Limited | 1 | A, C | Ordinary/Preference | 22% |
| Romulus Management Company Limited | 1 | A, D | Ordinary | 4% |
| Runshaw Management Company Limited | 8 | A | Ordinary | 100% |
| Springfield Village Estate Limited | 16 | A, C | Ordinary | 16% |
| Stoneyfield Management Limited | 1 | A | Ordinary | 100% |
| WBD Blenheim Management Company Limited | 1 | A, C | Ordinary | 2% |
| WBD (Riverside Exchange Sheffield B) Limited | 1 | A, C | Ordinary | 100% |
| WBD Riverside Sheffield Building K Limited | 1 | A, C | Ordinary | 100% |
| West Village Reading Management Limited | 12 | A, D | Ordinary | 0% |
| Willow Farm Management Company Limited | 1 | A, C | Ordinary | 2% |

Notes to the Financial Statements CONTINUED

Year ended 30 June 2022

33 Group subsidiary undertakings CONTINUED

Registered Office

1. Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF
2. 7 Buchanan Gate, Cumbernauld Road, Stepps, Glasgow G33 6FB
3. 111 West Street, Faversham, Kent ME13 7JB
4. Barratt East London, 3rd Floor Press Centre, Here East, 13 East Bay Lane, Stratford, London E15 2GW
5. One Eleven, Edmund Street, Birmingham, West Midlands B3 2HJ
6. Unit 11, Omega Business Park, Omega Business Village, Thurston Road, Northallerton, North Yorkshire DL6 2NJ
7. Tollbar House, Tollbar Way, Hedge End, Southampton, Hampshire SO30 2UH
8. RMG House, Essex Road, Hoddesdon, Hertfordshire EN11 0DR
9. Gateway House, 10 Coopers Way, Southend-on-Sea, Essex SS2 5TE
10. Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire HP2 7DN
11. 167 Turners Hill, Cheshunt, Waltham Cross, Hertfordshire EN8 9BH
12. Norgate House, Tealgate, Charnham Park, Hungerford, Berkshire RG17 0YT
13. Units 1, 2 & 3 Beech Court, Wokingham Road, Hurst, Reading RG10 0RU
14. Barratt House, 7 Springfield Lyons Approach, Chelmsford, Essex CM2 5EY
15. The Maltings, Hyde Hall Farm, Sandon, Hertfordshire SG9 0RU
16. 2 Hills Road, Cambridge, Cambridgeshire CB2 1JP
17. Unit A5 Optimum Business Park, Optimum Road, Swadlincote, Derbyshire, England, DE11 0WT
18. Fisher House, 84 Fisherton Street, Salisbury SP2 7QY
19. Newbury Racecourse Plc, The Racecourse, Newbury, Berkshire RG14 7NZ
20. 60 Whitehall Road, Halesowen B63 3JS
21. Unit 1 Forder Way Cygnet Park, Hampton, Peterborough, United Kingdom, PE7 8GX
22. Wellstones House, Wellstones, Watford, Hertfordshire WD17 2AF
23. Remus 2, 2 Cranbook Way, Solihull Business Park, Solihull, West Midlands B90 4GT
24. Wallis House, Great West Road, Brentford, Middlesex TW8 9BS
25. Firstport Property Services Limited, Marlborough House, Wigmore Place, Wigmore Lane, Luton LU2 9EX
26. Chiltern House, 72-74 King Edward Street, Macclesfield, Cheshire SK10 1AT
27. 100 Avebury Boulevard, Milton Keynes England, MK9 1FH
28. 41a Beach Road, Littlehampton, West Sussex, England, DN17 5JA
29. Oak House, Village Way, Cardiff CF15 7NE
30. Unit 2 Beech Court, Wokingham Road, Hurst, Twyford, Berkshire RG10 0RQ
31. Vanguard House, Yeoford Way, Marsh Barton, Exeter EX2 8HL
32. Barratt House, 710 Waterside Drive, Aztec West, Almondsbury, Bristol, BS32 4UD
33. Whittington Hall, Whittington Road, Worcester, WR5 2ZX
34. Building 4, Dares Farm Business Park, Farnham Road, Ewshot, Farnham, Surrey GU10 5BB
35. Ground Floor, Cromwell House, 15 Andover Road, Winchester, Hampshire SO23 7BT
36. 4 Brindley Road, City Park, Manchester M16 9HQ
37. Watson, Glendevon House, 4 Hawthorn Park, Coal Road, Leeds, West Yorkshire LS14 1PQ
38. Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, United Kingdom, NG1 6HH
39. Whitehead Restoration Site, Lower Green Lane, Astley, Manchester M29 7JZ
40. Woodwater House, Pynes Hill, Exeter, Devon EX2 5WR
41. Unit 7, Astra Centre, Edinburgh Way, Harlow, Essex, England, CM20 2BN
42. Freemont Property Managers Ltd, 3 The Old School, The Square, Pennington, Lymington, Hampshire SO41 8GN
43. Barratt House, Sandy Way, Grange Park, Northampton NN4 5EJ
44. Unit 7, Hockliffe Business Park, Watling Street, Hockliffe, Leighton Buzzard, Bedfordshire LU7 9NB
45. 377-379 Hoyle Road, Moreton, Wirral, Merseyside CH46 0RW
46. 128 Pyle Street, Granary Court, Newport, Isle of Wight PO30 1JW
47. Woodland Place, Wickford Business Park, Hurricane Way, Wickford SS11 8YB
48. 154-155 Great Charles Street, Queensway, Birmingham B3 3LP
49. Thamesbourne Lodge, Station Road, Bourne End, Buckinghamshire SL8 5QH
50. 1 West Point Court, Great Park Road, Bradley Stoke, Bristol BS32 4PY
51. Blairton House, Old Aberdeen Road, Balmedie, Aberdeen, Scotland, AB23 8SH
52. C/O East Block Group, The Colchester Centre, Hawkins Road, Colchester, Essex CO2 8JX
53. Compton House, The Guildway, Old Portsmouth Road, Guildford, GU3 1LR
54. Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR
55. 100 High Street, Whitstable, Kent, CT5 1AT
56. 1a Fortune Close, Riverside Business Park, Northampton NN3 9HT
57. Unit 7, Portal Business Park, Eaton Lane, Tarporley, Cheshire CW6 9DL
58. Telford House, 3 Mid New Cultins, Edinburgh, Midlothian EH11 4DH
59. 2 Horizon Place, Mellors Way, Nottingham Business Park, Nottingham, England, NG8 6PY
60. 72-74 King Edward Street, Macclesfield, Cheshire, SK10 1AT
61. Second Floor Lakeside 300, Broadland Business Park, Norwich, Norfolk, England, NR7 0WG
62. Unit 1, Great Park Road, Bradley Stoke, Bristol, United Kingdom, BS32 4PY
63. Wellington House, Great Park Road, Bradley Stoke, Bristol, BS32 4PY
64. Ashford House, Grenadier Road, Exeter, Devon, EX1 3LH
65. 6 Alpha Court, Monks Cross Drive, York, Yorkshire, YO32 9WN
66. Weald House, 88 Main Road, Sundridge, Kent, United Kingdom, TN14 6ER

Notes

- A Owned through another Group company.
- B Entity is limited by guarantee and is a temporary member of the Group. Assets are not held for the benefit of the Group and the entity has no profit or loss in the year.
- C The Group is a minority shareholder but has voting control.
- D The Group does not own any shares but has control via directors who are employees of the Group.

Definitions of alternative performance measures and reconciliation to IFRS (unaudited)

The Group uses a number of APMs that 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 Key Performance Indicators section of the Strategic Report on pages 5 to 7. These APMs may not be directly comparable with similarly titled measures reported by other companies and they are not intended to be a substitute for, or superior to, IFRS measures. Definitions and reconciliations of the financial APMs used to IFRS measures, are included below:

Gross margin is defined as gross profit divided by revenue:

| | 2022 | 2021 |
|---|----------------|---------|
| Revenue per Consolidated Income Statement (£m) | 5,267.9 | 4,811.7 |
| Gross profit per Consolidated Income Statement (£m) | 899.9 | 1,010.0 |
| Gross margin | 17.1% | 21.0% |

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

| | 2022 | 2021 |
|--|----------------|---------|
| Revenue per Consolidated Income Statement (£m) | 5,267.9 | 4,811.7 |
| Adjusted gross profit per Consolidated Income Statement (£m) | 1,308.1 | 1,114.7 |
| Adjusted gross margin | 24.8% | 23.2% |

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

| | 2022 | 2021 |
|---|----------------|---------|
| Revenue per Consolidated Income Statement (£m) | 5,267.9 | 4,811.7 |
| Profit from operations per Consolidated Income Statement (£m) | 646.6 | 811.1 |
| Operating margin | 12.3% | 16.9% |

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

| | 2022 | 2021 |
|--|----------------|---------|
| Revenue per Consolidated Income Statement (£m) | 5,267.9 | 4,811.7 |
| Adjusted profit from operations per Consolidated Income Statement (£m) | 1,054.8 | 919.0 |
| Adjusted operating margin | 20.0% | 19.1% |

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

| | 2022 | 2021 |
|---|---------------|--------|
| | £m | £m |
| Profit attributable to ordinary shareholders of the Company | 515.1 | 659.8 |
| Government grants repaid per note 3 | - | 26.0 |
| Net costs associated with legacy properties per note 4 | 408.2 | 81.9 |
| Net cost/(credit) associated with JV legacy properties per note 4 | 4.3 | (0.4) |
| Tax impact of adjusted items | (82.5) | (20.4) |
| Adjusted earnings | 845.1 | 746.9 |

Definitions of alternative performance measures and reconciliation to IFRS (unaudited) CONTINUED

Net cash is defined in note 19.

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

| | 2022 £m | 2021* £m |
|---|----------------|--------------|
| Profit from operations | 646.6 | 811.1 |
| Amortisation of intangible assets | 4.3 | 1.1 |
| Cost associated with legacy properties | 408.2 | 81.9 |
| CJRS grant repayment/(income) | - | 26.0 |
| Operating charges relating to the defined benefit scheme | - | 2.3 |
| Share of post-tax profit from JVs and associates | 23.3 | 27.7 |
| Adjusted cost/(credit) related to JV legacy properties | 4.3 | (0.4) |
| Earnings before amortisation, interest, tax, adjusted items and defined benefit scheme charges | 1,086.7 | 949.7 |

| | 30 June 2022 £m | 31 December 2021* £m | 30 June 2021* £m | 31 December 2020* £m | 30 June 2020* £m |
|--|-----------------------|----------------------------|------------------------|----------------------------|------------------------|
| Group net assets per Consolidated Balance Sheet | 5,631.3 | 5,589.7 | 5,452.1 | 5,204.7 | 4,840.3 |
| Less: | | | | | |
| Other intangible assets per Consolidated Balance Sheet | (205.4) | (100.0) | (100.0) | (100.6) | (101.1) |
| Goodwill per Consolidated Balance Sheet | (852.9) | (805.9) | (805.9) | (805.9) | (805.9) |
| Current tax (assets)/liabilities | (9.9) | (13.7) | 1.0 | 16.0 | 2.8 |
| Deferred tax liabilities/(assets) | 45.1 | 9.9 | 8.9 | (4.9) | 2.4 |
| Retirement benefit assets | - | - | - | (2.1) | (3.5) |
| Cash and cash equivalents | (1,352.7) | (1,336.3) | (1,518.6) | (1,302.7) | (619.8) |
| Loans and borrowings | 217.3 | 208.7 | 205.3 | 201.1 | 317.7 |
| Provisions in relation to legacy properties | 479.5 | 73.6 | 67.6 | 81.8 | 28.2 |
| Prepaid fees | (3.2) | (4.1) | (4.1) | (5.1) | (6.1) |
| Capital employed | 3,949.1 | 3,621.9 | 3,306.3 | 3,282.3 | 3,655.0 |
| Three point average capital employed | 3,625.8 | | 3,414.5 | | |

| | 2022 | 2021* |
|---|----------------|----------------|
| Earnings before interest, tax, adjusted items and defined benefit scheme charges (from table above) (£m) | 1,086.7 | 949.7 |
| Three point average capital employed (from table above) (£m) | 3,625.8 | 3,414.5 |
| ROCE | 30.0% | 27.8% |

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

| | 30 June 2022 £m | 31 December 2021* £m | 30 June 2021* £m | 31 December 2020* £m | 30 June 2020* £m |
|--|-----------------------|----------------------------|------------------------|----------------------------|------------------------|
| Capital employed (from ROCE table above) | 3,949.1 | 3,621.9 | 3,306.3 | 3,282.3 | 3,655.0 |
| Adjust for land payables | 733.6 | 682.3 | 658.3 | 601.1 | 791.9 |
| Capital employed adjusted for land payables | 4,682.7 | 4,304.2 | 3,964.6 | 3,883.4 | 4,446.9 |
| Three point average capital employed adjusted for land payables | 4,317.2 | | 4,098.3 | | |

| | 2022 | 2021* |
|---|----------------|----------------|
| Earnings before interest, tax, adjusted items and defined benefit scheme charges (from table above) (£m) | 1,086.7 | 949.7 |
| Three point average capital employed adjusted for land payables (from table above) (£m) | 4,317.2 | 4,098.3 |
| Underlying ROCE | 25.2% | 23.2% |

For the purpose of determining the Executive Directors' annual bonus (page 116), capital employed is adjusted for land, land payables and trade payables:

| | 30 June 2022 £m | 31 December 2021* £m | 30 June 2021* £m | 31 December 2020* £m | 30 June 2020* £m |
|---|-----------------------|----------------------------|------------------------|----------------------------|------------------------|
| Capital employed (from ROCE table above) | 3,949.1 | 3,621.9 | 3,306.3 | 3,282.3 | 3,655.0 |
| Adjust for land | (3,339.9) | (3,046.1) | (2,946.3) | (2,836.7) | (3,112.3) |
| Adjust for land payables | 733.6 | 682.3 | 658.3 | 601.1 | 791.9 |
| Adjust for trade payables | 324.0 | 238.9 | 289.6 | 223.3 | 186.8 |
| Capital employed adjusted for land, land payables and trade payables | 1,666.8 | 1,497.0 | 1,307.9 | 1,270.0 | 1,521.4 |
| Three point average capital employed adjusted for land, land payables and trade payables | 1,490.6 | | 1,366.4 | | |

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

| | 2022 | 2021 |
|---------------------------|----------------|----------------|
| Net cash (£m) | (1,138.6) | (1,317.4) |
| Land payables (£m) | 733.6 | 658.3 |
| Total indebtedness | (405.0) | (659.1) |

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.

*The definitions of ROCE, Underlying ROCE and capital employed have been updated in the year to exclude provisions in relation to legacy properties from capital employed. To ensure comparability, all comparatives have been restated under the revised definition.

Five year record (unaudited)

| Financial 5 year record | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|---------|---------|---------|---------|----------------|
| Private wholly owned home completions | 13,439 | 13,533 | 9,568 | 13,134 | 13,327 |
| Affordable wholly owned home completions | 3,241 | 3,578 | 2,466 | 3,383 | 3,835 |
| Wholly owned completions (homes) | 16,680 | 17,111 | 12,034 | 16,517 | 17,162 |
| Joint venture completions (homes) | 899 | 745 | 570 | 726 | 746 |
| Total home completions including JVs | 17,579 | 17,856 | 12,604 | 17,243 | 17,908 |
| Wholly owned completions average selling price (£'000) | 288.9 | 274.4 | 280.3 | 288.8 | 300.2 |
| Revenue (£m) | 4,874.8 | 4,763.1 | 3,419.2 | 4,811.7 | 5,267.9 |
| Gross profit (£m) | 1,008.9 | 1,084.2 | 614.3 | 1,010.0 | 899.9 |
| Gross profit margin (%) | 20.7% | 22.8% | 18.0% | 21.0% | 17.1% |
| Adjusted gross profit (£m) | 1,015.9 | 1,087.4 | 631.4 | 1,114.7 | 1,308.1 |
| Adjusted gross profit margin (%) | 20.8% | 22.8% | 18.5% | 23.2% | 24.8% |
| Profit from operations (£m) | 862.6 | 901.1 | 493.4 | 811.1 | 646.6 |
| Operating profit margin (%) | 17.7% | 18.9% | 14.4% | 16.9% | 12.3% |
| Adjusted profit from operations (£m) | 869.6 | 904.3 | 507.3 | 919.0 | 1,054.8 |
| Adjusted operating margin (%) | 17.8% | 19.0% | 14.8% | 19.1% | 20.0% |
| Net finance costs (£m) | (45.1) | (28.8) | (29.9) | (26.6) | (27.6) |
| Share of post-tax income from joint ventures | 18.6 | 39.2 | 28.3 | 27.7 | 23.3 |
| Profit before tax | 835.5 | 909.8 | 491.8 | 812.2 | 642.3 |
| Adjusted profit before tax | 842.5 | 920.0 | 505.7 | 919.7 | 1,054.8 |
| Basic earnings per share (pence) | 66.5 | 73.2 | 39.4 | 64.9 | 50.6 |
| Adjusted earnings per share (pence) | 67.0 | 74.1 | 40.5 | 73.5 | 83.0 |
| Dividend (interim paid and final proposed) (pence) | 26.5 | 29.1 | - | 29.4 | 36.9 |
| Special cash payment proposed per share (pence) | 17.3 | 17.3 | - | - | - |
| Total shareholder return (TSR) over three financial years (%) | 15.6% | 36.8% | 6.1% | 59.8% | (4.9%) |
| Tangible shareholders funds (£m) | 3,698.0 | 3,953.9 | 3,931.9 | 4,545.1 | 4,572.2 |
| Tangible net assets per share at year end (pence) | 365.2 | 388.8 | 386.1 | 446.3 | 447.8 |
| Total shareholders funds (£m) | 4,597.7 | 4,869.0 | 4,840.3 | 5,452.1 | 5,631.3 |
| Total net assets per share at year end (pence) | 454.0 | 478.8 | 475.3 | 535.4 | 550.7 |
| Year end net (debt) / cash (£m) | 791.3 | 765.7 | 308.2 | 1,317.4 | 1,138.6 |
| Year end total land payables (£m) | 996.7 | 960.7 | 791.9 | 658.3 | 733.6 |
| Year end total net (indebtedness) / surplus (£m) | (205.4) | (195.0) | (483.7) | 659.1 | 405.0 |
| Average net cash across the financial year (£m) | 127.4 | 298.3 | 348.3 | 821.0 | 957.4 |
| Three point average capital employed (£m) | 3,000.3 | 3,180.2 | 3,457.6 | 3,414.5 | 3,625.8 |
| Return on capital employed (ROCE) (%) | 29.6% | 29.9% | 15.5% | 27.8% | 30.0% |
| Total land investment (£m) | 2,963.4 | 3,071.6 | 3,112.3 | 2,946.3 | 3,339.9 |
| Proportion of total land investment funded by land creditors (%) | 33.6% | 31.3% | 25.4% | 22.3% | 22.0% |
| Weighted average shares in issue during the year (m) | 1,011.7 | 1,014.2 | 1,018.2 | 1,018.3 | 1,021.9 |
| Weighted average shares in issue during the year less EBT (m) | 1,010.7 | 1,010.4 | 1,013.9 | 1,016.4 | 1,018.7 |
| Number of ordinary shares in issue at year end (m) | 1,012.7 | 1,017.0 | 1,018.3 | 1,018.3 | 1,022.6 |

| Non financial 5 year record | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|--------|--------|--------|--------|----------------|
| SHE audit compliance | 96% | 96% | 96% | 97% | 97%* |
| Injury Incidence Rate | 462 | 297 | 256 | 416 | 262* |
| Average training days per employee (days / employee) | 4.0 | 4.7 | 4.1 | 3.9 | 3.3 |
| Employee turnover (%) | 17% | 16% | 10% | 12% | 17% |
| Employee engagement index (%) | 79.0% | 84.5% | 84.2% | N/A | 79.4% |
| Number of employees at 30 June | 6,330 | 6,504 | 6,655 | 6,329 | 6,837 |
| Proportion female (%) | 31% | 31% | 31% | 31% | 32% |
| Graduates, apprentices and trainees on programmes | 429 | 470 | 492 | 426 | 391 |
| Number of senior managers | 287 | 290 | 286 | 283 | 328 |
| Proportion female (%) | 13% | 15% | 14% | 16% | 17% |
| Number of PLC directors | 9 | 8 | 8 | 9 | 9 |
| Proportion female (%) | 44% | 38% | 38% | 44% | 33% |
| Legally completed build area (100m ²) | 17,304 | 17,196 | 12,197 | 16,439 | 16,402 |
| Carbon intensity (tonnes per 100m ² build) | 1.90 | 1.78 | 1.80 | 1.78 | 1.53* |
| Waste intensity (tonnes per 100m ² build) | 6.06 | 6.53 | 7.70 | 5.89 | 4.97* |
| Diversion of construction waste from landfill (%) | 97% | 97% | 96% | 95% | 96%* |
| Scope 2 electricity on renewable tariffs (%) | 0.0% | 46.0% | 68.0% | 72.0% | 76.0% |
| Average active sales outlets (inc. JVs) | 380 | 379 | 366 | 343 | 332 |
| Customer service (HBF Customer Satisfaction Survey) | 5 star | 5 star | 5 star | 5 star | 5 star |
| NHBC Pride in the Job Awards (number awarded) | 83 | 84 | 92 | 93 | 98 |
| Owned and unconditional land bank (plots) | 61,504 | 66,423 | 68,393 | 66,601 | 67,687 |
| Conditional land bank (plots) | 17,928 | 13,599 | 11,931 | 11,041 | 13,239 |
| Owned and controlled land bank (plots) | 79,432 | 80,022 | 80,324 | 77,642 | 80,926 |
| JV owned and controlled land bank (plots) | 5,137 | 5,207 | 5,400 | 4,661 | 4,548 |
| Total owned and controlled land bank including JVs (plots) | 84,569 | 85,229 | 85,724 | 82,303 | 85,474 |
| Land bank years owned (years) | 3.7 | 3.9 | 5.7 | 4.0 | 3.9 |
| Land bank years controlled (years) | 1.1 | 0.8 | 1.0 | 0.7 | 0.8 |
| Land bank total years (owned and controlled) (years) | 4.8 | 4.7 | 6.7 | 4.7 | 4.7 |
| Average selling price of homes in land bank at year end (£'000) | 270 | 275 | 276 | 289 | 322 |
| Land approvals (plots) | 20,951 | 18,448 | 9,441 | 18,067 | 19,089 |
| Land approvals (£m) | 933.9 | 859.8 | 368.1 | 876.8 | 1,396.1 |
| Planning consents secured in the year (plots) | 16,997 | 18,280 | 14,768 | 14,280 | 14,988 |
| Strategic land plots converted to owned and controlled land bank (plots) | 2,788 | 7,915 | 3,137 | 3,507 | 1,663 |
| Strategic land bank (acres) | 12,435 | 11,995 | 13,271 | 13,754 | 15,537 |
| Expenditure on physical improvement works benefitting local communities (£m) | 437 | 506 | 477 | 572 | 699 |
| School places provided (number) | 1,839 | 3,894 | 2,211 | 3,591 | 5,346 |
| Home completions from strategically sourced land (homes) | 4,413 | 4,374 | 2,929 | 4,172 | 4,530 |
| Proportion of home completions from strategically sourced land (%) | 26.5% | 25.6% | 24.3% | 25.3% | 26.4% |
| Home completions using MMC (homes) | 3,252 | 3,609 | 2,652 | 4,393 | 4,846 |
| Proportion of home completions using MMC (%) | 18.5% | 20.2% | 21.0% | 25.5% | 27.1% |
| Proportion of home completions using 2016 and later house type range (%) | 9.4% | 36.4% | 60.2% | 65.3% | 77.0% |
| Proportion of home completions EPC rated "B" or above (%) | 97% | 99% | 99% | 99% | 99% |
| Average SAP rating of home completions | 84 | 84 | 84 | 85 | 85 |

Note: additional granularity and more detailed sustainability metrics are available on our website at:
<https://www.barrattddevelopments.co.uk/sustainability/performance-data/data>

Deloitte have provided independent third-party limited assurance in accordance with the International Standard for Assurance Engagements 3000 ('ISAE 3000') and Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410') issued by the International Auditing and Assurance Standards Board ('IAASB') over selected metrics in the above table identified with an *. For Deloitte's full unqualified assurance opinion, which includes details of the selected metrics assured, our full Carbon Reporting Methodology Statement and a full breakdown of scope 3 GHG emissions, see our website www.barrattddevelopments.co.uk/building-sustainably/our-publications-and-policies/publications.

Glossary

| | | | | | | | |
|-----------------------------|---|-------------------|---|----------------------------|--|---------------------------|---|
| ACM | Aluminium Composite Material | EBT | Barratt Developments Employee Benefit Trust | LTPP | Long-Term Performance Plan | SHE | Safety, Health and Environment |
| Act | The Companies Act 2006 | ELTIP | Employee Long-Term Incentive Plan | LTV | Loan to Value | SHU | Sheffield Hallam University |
| Active outlet | A site with at least one plot for sale | EMC | Ethnic Minority Communities | MHCLG | Ministry of Housing, Communities and Local Government | SIC | Standing Interpretations Committee |
| AGM | Annual General Meeting | EPC | Energy Performance Certificate | MMC | Modern methods of construction | Site ROCE | Site operating profit (site trading profit less allocated administrative overheads) divided by average investment in site land and work in progress |
| AIMCH | Advanced Industrialised Methods for the Construction of Homes | EPS | Earnings per share | MP | Member of Parliament | SONIA | Sterling Overnight Interest Average |
| APM | Alternative performance measure | EQA | External Quality Assessment | MWh | Megawatt Hours | SUDS | Sustainable Urban Drainage Systems |
| APPG | All-Party Parliamentary Groups | ESG | Environmental Social Governance | NED | Non-Executive Director | TCFD | The Task Force for Climate-related Financial Disclosures |
| Articles | The Company's Articles of Association | EU | European Union | Net cash | Cash and cash equivalents, bank overdrafts, interest bearing borrowings and prepaid fees | tCO₂e | Tonnes Carbon dioxide equivalent |
| ASP | Average selling price | EWS | External Wall System | Net tangible assets | Group net assets less other intangible assets and goodwill | Total completions | Unless otherwise stated, total completions quoted include JVs |
| Barratt | Barratt Developments PLC and its subsidiary undertakings | FCA | Financial Conduct Authority | NGFS | Network for Greening the Financial System | Total indebtedness | Net debt/(cash) and land payables |
| BEIS | Department for Business, Energy and Industrial Strategy | FHS | Future Homes Standard | NHBC | National House Building Council | TSR | Total shareholder return |
| BNG | Biodiversity Net Gain | Foundation | The Barratt Developments PLC Charitable Foundation | NI | National Insurance | Underlying ROCE | ROCE as defined on pages 196 and 197, with net assets also adjusted for land payables |
| BRICK | Barratt Risk and Internal Control Framework | FRC | Financial Reporting Council | NPPF | The National Planning Policy Framework | UN SDGs | United Nations Sustainable Development Goals |
| Building for Life 12 | This is the industry standard, endorsed by the government, for well-designed homes and neighbourhoods that local communities, local authorities and developers are invited to use to stimulate conversations about creating good places to live | FSC | Forest Stewardship Council | Ofcom | The regulator and competition authority for the UK communications industries | USPP | US Private Placement |
| Building regulations | The requirements relating to the erection and extension of buildings under UK Law | FTSE4Good | Equity index series of companies demonstrating strong ESG practices | OHSAS | Occupational Health and Safety Assessment Series | VAT | Value Added Tax |
| 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 | FY | Financial year ended 30 June | Operating margin | Profit from operations divided by revenue | WIP | Work in progress |
| CBI | Confederation of British Industry | GDP | Gross Domestic Product | Oregon | Oregon Timber Frame Limited and its subsidiary Oregon Contract Management Limited | | |
| CDP | Charity that runs the global system for disclosure of environmental impacts for investors, companies, cities, states and regions | Group | Barratt Developments PLC and its subsidiary undertakings | Paris Agreement | International treaty on climate change adopted on 12 December 2015 and entered into force on 4 November 2016 | | |
| CEO | Chief Executive Officer | GHG | Greenhouse Gas | PBT | Profit before tax | | |
| CFO | Chief Financial Officer | HBF | Home Builders Federation | PEFC | The Programme for the Endorsement of Forest Certification | | |
| CIPD | Chartered Institute of Personnel and Development | HMRC | HM Revenue & Customs | PwC | PricewaterhouseCoopers LLP | | |
| CITB | Construction Industry Training Board | HR | Human Resources | RCF | Revolving Credit Facility | | |
| CJRS | Coronavirus Job Retention Scheme | HVO | Hydrotreated Vegetable Oil | REGO | Renewable Energy Guarantees of Origin | | |
| CMA | Competition and Markets Authority | IA | Investment Association | Ris | Reportable Items | | |
| Code | UK Corporate Governance Code issued in July 2018 (copy available from www.frc.org.uk) | IAS | International Accounting Standards | ROCE | Return on capital employed calculated as described on pages 196 and 197 | | |
| COINS | Construction Industry Solutions (software used by the Group) | IASB | International Accounting Standards Board | RPDT | Residential Property Developer Tax | | |
| Connected Persons | As defined in the EU Market Abuse Regulation | IEA | International Energy Agency | RSPB | Royal Society for the Protection of Birds | | |
| COO | Chief Operating Officer | IFRS | International Financial Reporting Standards | SAP | Standard Assessment Procedure -quantifies a dwelling's energy use per unit floor area | | |
| COVID-19 | Coronavirus Disease 2019 | IIA | Institute of Internal Auditors | SASB | Sustainability Accounting Standards Board | | |
| CRM | Customer Relationship Management | IIR | Injury incidence rate | SBTi | Science Based Targets Initiative | | |
| DBP | Deferred Bonus Plan | IIRC | International Integrated Reporting Council | Scheme | The Barratt Group Pension & Life Assurance Scheme | | |
| DFMA | Design for Manufacture | IPA | Independent Project/Programme Assurance | SDLT | Stamp Duty Land Tax | | |
| DTRs | Disclosure Guidance and Transparency Rules | IPCC | Intergovernmental Panel on Climate Change | SECR | Streamlined Energy and Carbon Reporting | | |
| | | <IR> | Integrated Report | Sharesave | Savings-Related Share Option Scheme | | |
| | | ISA | International Standards on Auditing | | | | |
| | | ISAE | International Standard on Assurance Engagements | | | | |
| | | ISO | International Organisation for Standardisation | | | | |
| | | JVs | Joint ventures | | | | |
| | | KPI | Key performance indicator | | | | |
| | | LGBTQ+ | Lesbian, gay, bisexual, transgender, queer and other gender expressions | | | | |
| | | lpppd | Litres per person per day | | | | |

Integrated reporting approach

Reporting approach

Our integrated report is primarily prepared for our shareholders; however, through our activities we create value for a range of other stakeholders.

Reporting frameworks

Our integrated reporting is guided by various codes and standards outlined in the table here.

Report scope and boundary

Our Integrated Report covers the performance of Barratt Developments PLC for the financial year ended June 2022.

The report extends beyond financial reporting and includes non-financial performance, opportunities and risks that may have a significant influence on our ability to create value.

Integrated reporting framework

The primary purpose of an integrated report is to explain to providers of financial capital how an organisation creates value over time. An integrated report benefits all interested stakeholders including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers.

The IIRC's vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking.

Approval by the Board of Directors

This Annual Report is an integrated report and has been prepared and presented in accordance with the International Integrated Reporting <IR> Framework published by the IIRC in December 2013.

The Board, which is responsible for the integrity of this report, has collectively considered preparation and presentation of this report and concluded that it has been prepared and presented in accordance with the Framework.

Sustainability frameworks

Framework
The International Integrated Reporting Council's Integrated Reporting Framework

Purpose
Framework that is focused on articulating the value creation of an entity over time.

Framework
United Nations Sustainable Development Goals

Purpose
Outward-looking framework that covers the areas of the UN's 2030 Agenda focused on people, planet and prosperity.

The 17 UN SDGs define global sustainable development priorities and aspirations for 2030 and seek to mobilise global efforts around a common set of goals and targets.

The UN SDGs call for worldwide action among governments, business and civil society to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet. The UN SDGs were launched in 2015 by the UN.

Framework
Task Force on Climate-related Financial Disclosures ('TCFD') recommendations

Purpose
Recommendations for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change.

Our primary disclosures aligning with TCFD recommendations as we continue on our journey towards full alignment, are made through the CDP Climate survey, which we submit on an annual basis. In 2018 the CDP Climate Survey format was aligned to TCFD recommendations. Other TCFD related disclosures can be found within the content of this integrated report, and on the sustainability section of our corporate website.

Legal requirements

Framework
International Financial Reporting Standards ('IFRS')

Purpose
Global framework for how companies prepare and disclose their financial statements.

Framework
Companies Act 2006

Purpose
Company law in the UK.

Framework
UK Corporate Governance Code

Purpose
The standards of good practice for listed companies on board composition and development, remuneration, shareholder relations, accountability and audit.

Framework
Streamline Energy and Carbon Reporting ('SECR')

Purpose
Disclosures required by the UK Government on a company's energy consumption and greenhouse gas emissions.

Group advisers and Company information

Registrars

Equiniti Group
Aspect House
Spencer Road
Lancing, West Sussex
BN99 6DA

Tel: 0371 384 2657

Statutory auditor

Deloitte LLP
London

Solicitors

Slaughter and May

Brokers and investment bankers

Credit Suisse Securities
(Europe) Limited

Registered office

Barratt Developments PLC

Barratt House
Cartwright Way
Forest Business Park
Bardon Hill
Coalville
Leicestershire
LE67 1UF

Tel: 01530 278278

www.barrattdevelopments.co.uk

Company information

Registered in England and Wales.
Company number 00604574

Financial calendar Announcement

| | | |
|------|---|-----------------|
| 2022 | Annual General Meeting and Trading update | 17 October 2022 |
|------|---|-----------------|

| | | |
|------|------------------------------|-----------------|
| 2023 | Interim Results Announcement | 8 February 2023 |
|------|------------------------------|-----------------|

| | | |
|------|-----------------------------|------------------|
| 2023 | Annual Results Announcement | 6 September 2023 |
|------|-----------------------------|------------------|



We are committed to reducing the environmental impact in our operations. The carbon for this Annual Report has been mitigated using high-quality credits that are verified, permanent, additional and contribute to at least three of the United Nation's Sustainable Development Goals. This assessment has been independently undertaken by CarbonQuota, working with Jones and Palmer.



We're supporting responsible management of the world's forests and being kinder to the planet by using FSC® certified paper.



The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.

