Immediate release 8 September 2010

Barratt Developments PLC
Annual Results Announcement
Results for the year ended 30 June 2010

Mark Clare, Group Chief Executive commented:

"During the year we have seen a very significant improvement in the performance of the business - operating margin in the second half increasing to 5.9%, returning us to profitability and gearing falling to 18%. Whilst the outlook for the UK housing market is still challenging, our priority remains optimising prices rather than volume and securing high quality land that will continue to drive our margin recovery."

Highlights

- Net private reservations up 4.2% for the full year at 0.50 per active site per week.
- Total completions, including joint ventures, were 11,377 (2009: 13,277).
- Average selling price (excluding joint ventures) up by 10.9% for the full year to £174,300 (2009: £157,200) and by 17.8% in the second half on the prior year equivalent period mainly due to changes in mix.
- Profit from operations before operating exceptional items was £90.1m (2009: £34.2m) at a full year operating margin of 4.4% (2009: 1.5%), with the second half operating margin at 5.9% (2009: 1.8%).
- Loss before tax and exceptional items of £33.0m (2009: £144.1m) with a profit before tax and exceptional items of £15.5m in the second half. Loss before tax for the year of £162.9m (2009: £678.9m).
- Agreed terms on £527.2m of land purchases (equivalent to 13,359 plots) since re-entering the land market in mid-2009.
- Net debt reduced by £910.0m since 30 June 2009 to £366.9m (2009: £1,276.9m).
- Tangible net assets, excluding intangible assets, per share 208p (net assets per share 300p).
- Forward sales at 30 June 2010 were up by 27% at £591.7m (2009: £464.3m) representing 3,889 plots (2009: 3,328 plots). At 5 September 2010 forward sales had increased to £847.1m (2009: £696.3m).
- Over the 10 weeks since the financial year end net private reservations have averaged 0.48 per active site per week (2009: 0.51). Cancellation rates have remained low at an average of 11.0% (2009: 12.3%) for the year to date.

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

There will be an analyst and investor meeting at 8.45am today at UBS, Ground Floor Presentation Suite, 1 Finsbury Avenue, London, EC2M 2PP. The presentation will be broadcast live on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, from 8.45am today. A playback facility will be available shortly after the presentation has finished.

The financial analysts' presentation slides will be available on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, this morning.

Further copies of this announcement can be obtained from the Company Secretary's office at:
Barratt Developments PLC, Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF.

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Barratt Developments PLC

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Chairman's statement

This has been an important year for the Group: the recovery of the housing market continued, we recapitalised the business and started to see the benefits of a much improved operational performance. As a result we achieved a profit after tax in the second half of the year and significant improvements in quality and customer service.

Market conditions

During the year conditions in the housing market in Britain steadily improved. Nevertheless, by historic standards the market remained difficult and activity levels continued to be extremely low in terms of the number of house buyers and sellers.

The key restriction on the industry remains the availability of mortgage finance. Whilst there was some improvement during the year, the lack of availability of suitable higher loan to value products continued to restrict the new build sector where customer deposits have traditionally been lower.

With demand continuing to be constrained, the industry responded by opening fewer sites and controlling stock better. Whilst the improved balance between supply and demand has stabilised prices, it has done little to address the nation's fundamental housing shortage which in the longer term will underpin the sector's growth.

Our response

Our response to the restrictions that the current market conditions impose has been very clear. Our priorities have been driving efficiency and optimising selling price growth. As a result, we have reduced volumes but have driven significant margin improvement, especially in the second half of the year.

A vital component of our response to market conditions has been to overhaul many operational aspects of our business. This has lowered costs and has also driven far-reaching improvements in the quality of our business.

The quality of our homes has never been higher. For the first time in the Group's history we have achieved Home Builders Federation Five Star status, the highest achievable level, in terms of customer satisfaction and whether we would be recommended to a friend. Additionally, under the NHBC 'Pride in the Job' scheme our site managers have won more quality awards than ever before and more than any one of our competitors for the sixth year running.

The high level of quality has also helped to underpin our pricing policy. We are determined to get the best possible price for the outstanding homes that we build and we have the right sales and marketing capabilities to achieve this.

Average selling price increased by 10.9% during the year and by 17.8% between 1 January and 30 June 2010 compared with the same period in 2009. This partly reflected price inflation but was mainly driven by the changing profile of what we build. Customer demand and mortgage availability have both driven a change in our product mix away from flats towards houses. This change in mix will continue as we start to build on the many sites we have successfully replanned, working together with local authorities.

A stronger financial position

During the year we substantially improved our financial position and reduced our debt levels. We strengthened our balance sheet through the Placing and the Rights Issue which raised gross proceeds of £720.5m. We also amended our financing arrangements. This was an important strategic move for us, enabling us to develop existing sites and to take advantage of attractive new land purchasing opportunities. Our improved operational performance and strong cash management also contributed to a further reduction in debt levels by the year end.

As previously indicated and in accordance with the terms of our financing arrangements, no dividend will be paid in respect of the 2010 financial year. However, the Board is committed to reinstating the payment of dividends when it is appropriate to do so.

Securing land for the future

The foundation of our future business and margin growth is the land we buy. We have worked hard to maintain our long-term relationships with land sellers throughout a very difficult period for the industry and have benefited from this during the year along with our stronger financial position. This enabled us to expand successfully our presence in the land market, securing a strong flow of potentially high margin

sites, with a view to growing margin further. We have maintained a disciplined approach. Wherever possible we are acquiring land on deferred terms and we have recently increased our hurdle rates to ensure that we secure only the best opportunities.

Our employees

As Chairman, I spend a considerable amount of time with our employees at all levels. We have in place an exceptionally able and experienced senior management team. They are supported by our employees who are I believe amongst the very best in the industry. These have been difficult times for our people and their families and they should take a great deal of pride from the strength of the business's recovery. We are now operating more efficiently but also at far higher quality levels and that would not have been possible without their commitment, skill and resilience.

The future

Whilst economic uncertainty may influence the Company's future, the capabilities of the Group are strong and continuing to develop. We have a skilled work-force, a strong land bank and an improving financial position. We are at the forefront of many of the changes that will dominate the industry in future years: evolving customer demand, design and environmental standards and changes in planning. We are therefore well equipped to compete now and in the future.

Bob Lawson

Chairman

Group Chief Executive's review

We have delivered a much improved operating performance in a slowly recovering housing market. We have strengthened the balance sheet, significantly improved the efficiency of the business, enhanced the quality and value of our housing and secured a strong supply of high value land. Whilst the housing market is likely to remain challenging, we are now well placed to secure further margin growth.

Performance

We increased profit from operations before exceptional items by £55.9m to £90.1m with a significant improvement in operating margin before exceptional items to 4.4% (2009: 1.5%). Operating margin before exceptional items increased to 5.9% (2009: 1.8%) in the second half of the financial year and in the same period we achieved a profit after tax of £9.0m. Operating exceptional items of £15.8m (2009: £519.5m) reduced profit from operations to £74.3m (2009: £485.3m loss) for the financial year.

Our Placing and Rights Issue coupled with continuing tight control of working capital enabled us to reduce net debt by £910.0m to £366.9m.

Our priorities

Our overriding objective is to rebuild profitability and we have set out three clear priorities to achieve this: optimising margin, improving operational efficiency and securing high value future land. We have made considerable progress in each of these areas and by doing so have started to rebuild the profitability of the Group.

Maximising value

During the year we have focused on securing the maximum price for every sale. As a Group we are prepared to accept lower sales volumes to preserve value. Procedures are in place to ensure strict pricing discipline in every region and across every development.

Average selling price rose by 10.9% to £174,300, with average private selling prices increasing by 11.2% to £185,200. In the second half, we saw average selling price increasing by 17.8% to £180,700 on the prior year equivalent period. These increases were mainly as a result of changes in mix.

At the same time private reservation rates per active site per week during the year increased by 4.2% from an average of 0.48 to an average of 0.50. We have achieved this through a better mix of product, improvement in our sales and marketing and a focus on the quality of our homes.

We are building more houses to satisfy customer demand. Excluding the London market where the majority of completions are flats, 65.9% of completions were houses compared with 50.5% during the prior year. The mix of buyers has also changed as the proportion of investor sales has fallen to 10.1% compared with 24.8% last year.

Improvements in our marketing capability have been an important factor. New leads generated from our websites have continued to increase and we have a new centralised inbound call centre. At the point of sale, further resources have been invested in improving conversion rates through the enhanced presentation of our sales centres and on-site sales technology via the roll-out of our I-Sales system.

In addition to the record amount of awards the Group has received for quality during the year, we are the only volume housebuilder to have introduced a five-year warranty. This covers fixtures and fittings and is additional to the ten-year National House-Building Council warranty on the fabric of the building. During the year this has been working effectively as a point of sale incentive for the customer.

The combination of product marketing and on-site sales capability has been particularly important in driving sales of the Government backed HomeBuy Direct product during the year. We sold 1,735 homes (2009: 138 homes) under this scheme.

Cost reduction

Driving operational efficiency has remained a significant focus for the organisation. During the year we saw a reduction in build costs reflecting the actions we had already taken.

Our material supply contracts have continued to be renegotiated. However, it is likely that some pressure will be felt in future as raw material prices rise in-line with the recovery of the economy.

Longer term efficiency savings have been identified and implemented in a number of areas. By reviewing our purchasing we have consolidated a number of our supply chains. Standard house-type construction costs have been reduced and we have increased our focus on delivering further reductions wherever possible. Standard house-type costs are benchmarked across the Group every six months to ensure the lowest cost is achieved whilst maintaining the quality of our homes. Overall, we have seen housebuilding total build costs (including infrastructure) reducing by 4.7% per square foot.

Further efficiency savings and reductions in operating costs have been achieved through the roll-out of our Quality and Cost programme which promotes and shares best practice in the build process across the Group and has been supported by the introduction of new hand held terminal technology to all of our sites.

Land and planning

Our strategy has been to replan existing sites and to secure appropriate future land to seek to ensure margin growth.

In the last twelve months we have replanned a number of sites. In particular we have been successful at replacing flats with new purpose-designed house-types. This ensures that we are building the right mix of products for our customers in particular given the lending restrictions that still favour houses over flats.

Longer term margin growth will be influenced by the quality of the land we are able to secure and bring into production. We have been able to take advantage of highly attractive land opportunities in targeted areas. In the latter half of the year we have seen competition to buy land increasing, but given the early success of our land buying teams, we have maintained a disciplined approach and have continued to secure opportunities above our hurdle rates.

Since re-entering the land market in mid-2009 until 30 June 2010 we had agreed terms on £527.2m of land purchases, the majority of which were on deferred terms. This equates to 96 sites and 13,359 plots with an expected average selling price of c. £197,000. Of the 13,359 plots, 51% are located in the South of England.

Commercial Developments

In November 2009, we disposed of Atlantic Quay 5 for £25.0m with an exceptional impairment of £4.8m. This sale completed the planned divestment of legacy assets from the Wilson Bowden Developments portfolio for a total of around £200m.

Government policy

It is likely that there will be significant changes to Government housing policy as the new Government is committed to moving from a policy based on central targets to a more devolved framework and also implementing significant cuts in expenditure. Whilst there is some uncertainty surrounding planning and funding for social housing, the short-term impact on our business is likely to be limited. We have detailed planning consent in respect of 95% of forecast completions for the year ending June 2011, outline consent in respect of an additional 3%, and a high level of contracted Government funding.

We are committed to working closely with local communities and local councils to ensure that we can provide the housing that is required to high environmental and design standards. This will require genuine partnerships and new ways of collaborating, many of which are already emerging. We are determined to be at the forefront of these changes.

Partner of choice

During the year we have also made progress in securing land through innovative arrangements and partnerships, particularly with the public sector. Our specialist Urban Regeneration team, working with our divisions, secured 1,614 units on six sites through public sector partnerships with a gross development value of £200m. In Newcastle we have formed a public/private partnership with the council to regenerate the Scotswood area of the city over a 15 year period.

The Homes and Communities Agency ('HCA') has selected the Group for each of its three area based Delivery Partner Panels ('DPP'). We are now working with the HCA in bidding for projects on HCA and local authority land across the country. Our first contract under this arrangement has now been awarded in Plymouth where we have been selected for Phase 1 which includes 247 new homes and a new mixed-use community hub. We are pleased to see that the DPP framework is being used by a significantly greater number of local authorities than we originally envisaged.

Health, safety and the environment

Finding the lowest cost solution to meet increasingly demanding building regulations is an important workstream for the Group. Our objective is to secure a position as the lowest cost provider complying with the Code for Sustainable Homes (the 'Code'). During the year we built 1,765 homes to Code Level 3 or above and we are already starting to build developments at higher Code levels where required.

We have started on site at Hanham Hall, the UK's first large-scale zero carbon housing development and are well advanced with research to identify ways of building a Code Level 4 house without the need for renewable sources of power. As well as seeking technological solutions, we will continue to discuss with Government the most cost-effective way of meeting the environmental challenges facing the industry.

We continue to place the highest priority on the safety of our employees, contractors, customers and the wider community within which we operate. During the financial year our Injury Incidence Rate ('IIR') was 582 (2009: 571 (restated)) per 100,000 persons employed which is a 2% increase on last year's figure. This increase can be largely attributed to additional slip and trip incidents due to the bad weather in the first quarter of the 2010 calendar year. We are committed to improving health and safety and have established an Executive Health and Safety Committee, which reports to the Board, to drive improvement.

Outlook

The outlook for new housing remains challenging as a result of continuing constraints on the availability of mortgage finance and overall economic concerns.

Against this background we will remain focused on improving profitability by achieving full value for the homes we build and maintaining tight control of costs.

In-line with normal seasonal trends we have seen a slow-down in trading following the end of the spring selling season. Over the 10 weeks since the financial year end, net private reservations have averaged 0.48 (2009: 0.51) per active site per week. This is slightly down on the prior year, when sales rates for the traditionally quieter period were stronger than normal, but is in-line with the rate required to achieve our projected volumes for the current financial year. Cancellation rates have remained low at an average of 11.0% (2009: 12.3%) for the year to date.

We are targeting total completions for this financial year at 5-10% higher than 2010, driven by increasing our numbers of outlets rather than higher sales rates. Our focus continues to be on optimising selling prices rather than pursuing volumes. We expect to see a further shift in product mix, with houses likely to represent at least 65% of total volumes, resulting in a modest increase in average selling price.

Mark Clare
Group Chief Executive

Business review

Our performance

Whilst there has been some recovery in the housing market during the year, the environment in which we operate has remained challenging, with mortgage finance still constrained for many of our potential customers.

We delivered a profit from operations before operating exceptional items of £90.1m (2009: £34.2m) at a margin of 4.4% (2009: 1.5%). After exceptional items of £15.8m (2009: £519.5m), our profit from operations was £74.3m (2009: £485.3m loss).

The increase in operating margin before exceptional items can be explained by a number of factors. We achieved a 3.6% improvement upon revenue per square foot on housebuilding completions and a 4.7% reduction per square foot on housebuilding build costs (including infrastructure). These coupled with other items resulted in a gross margin before exceptional items of 9.1%, a 3.4% increase on the prior year. Although administrative costs reduced year-on-year from £95.2m to £94.7m, this reduced operating margin by 0.5%. Overall there was a 2.9% improvement in operating margin before exceptional items in the year.

Housebuilding

During the year, we operated from an average of 360 (2009: 436) active sites. Visitor numbers were lower than in the prior year at 1.82 (2009: 1.95) per active site per week but our sales conversion rate was higher with an average of 0.50 (2009: 0.48) net private reservations per active site per week.

Total completions were 11,377 (2009: 13,277) including 52 (2009: 75) from joint ventures in which we have a share. Housebuilding completions totalled 11,325 (2009: 13,202), a decrease of 14.2% reflecting fewer active sites during the year. Housebuilding revenue totalled £2,000.1m (2009: £2,095.8m). Of the housebuilding completions, private were 9,455 (2009: 11,133), and social were 1,870 (2009: 2,069). Social housing completions represented 16.5% of completions in the year, versus 15.7% in the prior year.

Our average selling price increased by 10.9% to £174,300 (2009: £157,200) mainly as a result of changes in mix but also reflecting some underlying sales price inflation.

Private average selling prices increased by 11.2% to £185,200 (2009: £166,500) primarily due to a number of mix changes including an increased proportion of houses compared to flats, a 1.8% increase due to our development at Rochester Row in London with a private average selling price of £1,022,900 and geographical mix changes. Achieving the optimum sales price upon every plot that we sell has remained a key focus for the business during the year. The average revenue that we achieved upon private completions per square foot increased by 3.6% to £191.7 (2009: £185.0).

Our social average selling price increased by 11.6% to £119,500 (2009: £107,100) due to changes in mix including an increase in the average square footage of our social completions of 6.1% to 799 square feet.

The availability of mortgage finance at higher loan to value ratios remains constrained and accordingly 27.0% (2009: 11.4%) of our completions this year have used shared equity products. Of these completions, 1,735 (15.3%) (2009: 138 (1.0%)) have used HomeBuy Direct and the remainder have used our own Headstart or Dreamstart schemes. The option of part-exchange also remains an effective selling tool, with 9.6% (2009: 11.8%) of our completions in the year supported by this. We continue to manage carefully our commitment and exposure to part-exchange properties.

During the year we have continued to focus upon driving operational efficiency. We have reduced our standard house-type construction costs and have increased the use of these wherever possible. We benchmark our standard house-type costs across the Group every six months. Overall, we have seen a reduction in total build costs (including infrastructure) with the cost per square foot reducing by 4.7%. We will continue to drive other cost savings and operational efficiency during the current financial year. However in future, it is likely that some pressure will be felt as raw material prices rise in-line with the recovery of the economy.

The benefit of our strategies of optimising the sales price of every plot and controlling our costs can be seen in the year with a significant improvement in our housebuilding operating margin before exceptional items to 4.6% (2009: 1.9%) and 5.9% (2009: 2.7%) for the second half of the financial year. Our housebuilding profit from operations before exceptional items for the year was £91.4m (2009: £38.8m). After operating exceptional items of £11.0m (2009: £446.4m), the housebuilding profit from operations was £80.4m (2009: £407.6m loss).

Commercial Developments
Conditions in the commercial property market remain challenging. Whilst investor demand for well located prime stock came back strongly in the final quarter of 2009, this demand had stabilised by the second quarter of 2010. Revenue from the commercial developments business totalled £35.1m (2009: £189.4m) with a loss from operations before exceptional items of £1.3m (2009: £4.6m). After exceptional items of £4.8m (2009: £73.1m), the loss from operations was £6.1m (2009: £77.7m).

During the year, we disposed of Atlantic Quay 5, a commercial property in Glasgow for £25.0m with an exceptional impairment of £4.8m, completed a 70,000 square feet warehouse and office facility at the Kingsway site in Rochdale and also completed a number of land disposals at positive margins. We have also recently exchanged contracts with JD Sports to complete an 866,000 square feet warehouse and distribution centre in Rochdale, which is scheduled for completion in spring 2011.

The disposal of Atlantic Quay 5 during the financial year completed the planned sale of legacy assets from the Wilson Bowden Developments portfolio for a total of around £200m.

The homes we build
Our aim is to be recognised as the nation's leading housebuilder creating communities where people aspire to live.

Geographic and product diversity
We operate throughout Britain under the Barratt Homes and David Wilson Homes brands and in Kent and the South East under the local Ward Homes brand. At 30 June 2010, we were selling from 339 (2009: 376) active sites across 25 divisions.

We continue to serve all sectors of the market, creating homes for sale, shared ownership and affordable rental and work with Government agencies and housing associations on a broad range of urban regeneration schemes. Our wide product range varies from homes for first time buyers, family homes and high rise flats to social housing and commercial development. Private selling prices during the financial year ranged from £46,500 to £2.1m, with a private average selling price for the year of £185,200 (2009: £166,500).

During the year, we completed 1,735 (2009: 138) homes under the HomeBuy Direct scheme including 1,679 from the initial allocation of HomeBuy Direct, which has to be completed by the end of September 2010. Our HomeBuy Direct funding from Kickstart 1 and Kickstart 2 for c. 510 units has been secured together with c. £31.1m of other Government funding. In addition to the Government supported HomeBuy Direct scheme, we also supported 1,325 (2009: 1,369) purchasers with our own shared equity schemes.

The provision of social housing remains a key component of our activities with 1,870 (2009: 2,069) homes completed during the financial year ended 30 June 2010 at an average selling price of £119,500 (2009: £107,100).

The Homes and Communities Agency ('HCA') has established a Delivery Partner Panel ('DPP') framework to develop its sites, which can also be used by local authority partners for developing their land. The DPP framework will exist for three years and is split into three regional clusters - Northern, Central and Southern panels. As one of only two national housebuilders appointed to all three panels, we are able to work closely with the HCA in bidding for projects on HCA and local authority-owned land across the country. We are pleased to see the DPP framework being used by a significantly greater number of local authorities than we originally envisaged.

People and expertise
We believe that one of our key strengths is our people and that despite the current economic environment it is important to continue to develop and invest in them and their expertise. Accordingly, we have continued to invest in our vocational and leadership training programmes as well as employee development, engagement and recognition.

During the year we have launched the Barratt Academy, which combines professional training (on-site and in the classroom) with industry-recognised qualifications. The Academy will deliver trade specialists, site managers and commercial and technical specialists. Since its launch, 48 Site Managers and 48 Assistant Site Managers have joined the programme and 100 apprentices are being recruited for the first intake of the Apprenticeship Programme in September 2010. In addition, we have four leadership development programmes in place to assist with the development of managers identified within our succession plan.

We also have a Graduate Recruitment and Development Programme consisting of a two-year multi-disciplinary programme. Due to the downturn in the sector, we decided not to increase the number of graduates in the programme in the year to 30 June 2010. However, we have recruited 30 graduates under the programme who joined the business in August 2010.

During the year, we have remained focused on employee engagement with our third annual engagement survey seeing an increase in participation to 71% and a 3% improvement in our employee engagement score compared with 2009. We have also continued to reward our employees giving over 1,400 individual experience prizes or additional holiday. Our structured recognition programme is ongoing with quarterly and annual divisional awards and annual national awards for Site Managers, Sales Advisers, Apprentices, Individual Excellence and Team Excellence.

The expertise of our construction teams has again been recognised externally, with 82 (2009: 76) of our Site Managers winning ‘Pride in the Job’ quality awards from the National House-Building Council. This is more than any other housebuilder for an unprecedented sixth consecutive year.

Our target was to have a fully carded Construction Skills Certification Scheme (‘CSCS’) workforce, including subcontractors, by 2010. At 30 June 2010, 97% (2009: 95%) of the Group’s workforce, including subcontractors, was fully CSCS carded and we continue to target a 100% CSCS carded workforce.

Corporate responsibility
We are committed to the principles of Corporate Responsibility (‘CR’) as stated in our CR policy which is available at www.barrattdevelopments.co.uk. We have identified and assessed the key CR risks facing the business, which include Environmental, Social and Governance (‘ESG’) risks, and have grouped these into four key philosophies so that we can manage them effectively. The four philosophies: People, Partners, Planet and Customers are underpinned by our commitment to financial performance and Health and Safety. These are each led by a member of the Executive Committee who is responsible for developing and implementing CR related objectives and targets to achieve the overall CR strategy set by the Board. This ensures that CR issues are embedded in the normal course of business and decisions affecting CR issues can be implemented swiftly at an operational level. This process ensures that adequate information in relation to ESG matters is available to the Board. Significant ESG risks that could impact on the future of the business are included in the Principal risks and uncertainties section.

We publish a CR report each year that explains our approach and our management of CR governance and risk, and includes the actions we have taken during the year to improve CR performance. CR disclosures in the Annual Report and CR Report, including disclosures on ESG matters, are based on information collected annually and from regular management information. This information is subject to external independent review and internal audit.

Environment
Our development activities have the potential to impact significantly on the environment and we are subject to extensive and complex regulations and an increasingly stringent regulatory environment including planning and technical requirements, such as a requirement for all new homes to achieve zero carbon emissions by 2016. In response to these challenges we follow a strong environmental agenda which focuses on managing our environmental impact, helping our customers to improve the environment, improving the environmental standards of what we build and making our supply chain more sustainable.

We are committed to undertaking research and development that will enable us to respond to the increasingly demanding design criteria for new housing. In 2008 we were the first major housebuilder to build a prototype home to Level 6 of the Code for Sustainable Homes (the ‘Code’), the highest level attainable. We are currently building one of the first large scale zero carbon communities in Britain, in partnership with the HCA, at Hanham Hall near Bristol. The development includes 185 new homes built to Code Level 6 and the total refurbishment of the hall itself.

The key performance indicator that we use to monitor environmental performance is the average amount of carbon dioxide emitted during the construction process per legal completion. This metric reduced slightly this year to 1,787 $KgCO_{2e}$/unit (2009: 1,804 $KgCO_{2e}$/unit (restated)). We are targeting a reduction in energy use of 20% over three years and are looking at ways to improve this reduction. During the year we carried out energy audits on sample developments to understand energy usage in more detail and the opportunities for increasing energy efficiency.

Average CO_2 emitted during the construction process $KgCO_{2e}$/Unit

08 – 1,767[1]
09 – 1,804[1]
10 – 1,787

[1]2008 data, reported as 1,792 in 2008, and 2009 data, reported as 1,782 in 2009, restated in accordance with Defra/DECC Guidelines published in September 2009.

We monitor the proportion of construction waste segregated for recycling on site, which this year improved to 91% (2009: 73%). In addition we continually monitor our performance against our environmental management system via regular compliance audits on all sites.

Health and safety

We consider health and safety to be of paramount importance for our employees, customers and the public. All our divisions are certified to the health and safety standard OHSAS 18001 which is verified by a programme of internal and external audits. This ensures that we have consistent and appropriate standards in place and is complemented by our own comprehensive Safety, Health and Environmental ('SHE') Management System. We continually monitor our performance against our SHE Management System by carrying out regular compliance audits on all sites. During the year we carried out over 4,000 monitoring visits and achieved an average of 96% compliance (2009: 96%). In addition, a majority of the Group's Safety, Health and Environment managers are certified to the Institute of Environmental Management and Assessment standard and are able to undertake regular environmental audits on our sites.

We use our reportable Injury Incidence Rate ('IIR') as a key performance indicator to measure health and safety performance on a monthly and yearly basis. During the financial year ended 30 June 2010 our IIR was 582 (2009: 571 (restated)) per 100,000 persons employed. This increase can largely be attributed to additional slip and trip incidents due to bad weather in the first quarter of the 2010 calendar year. We are committed to reducing the IIR year-on-year and we are working with our supply chain to ensure their supervisory staff are able to manage effectively health and safety risk on-site.

Injury Incidence Rate per 100,000 persons employed

08 – 656
09 – 571[2]
10 – 582

[2]Originally reported as 522 but restated due to late notifications.

The quality of our management of health and safety has also been recognised through the receipt of six awards at the inaugural NHBC Health and Safety Awards 2010.

The investigation by the Police and the Health and Safety Executive into the incident at Bedfont, London in February 2008, where carbon monoxide poisoning from a gas heating installation caused the death of one person and left another seriously ill, continues. We continue to work closely with the authorities.

Partners

We recognise that there are a large number of stakeholders in our business and we aim to work with local, regional and national partners and stakeholders to ensure the effective delivery of housing needs.

We create homes for sale and shared ownership and work with Government agencies, housing associations and other bodies on a broad range of ownership initiatives including HomeBuy Direct, our own shared equity products and social housing. We have also been appointed to every HCA DPP and work with a wide range of public sector regeneration agencies, local authorities and Registered Social Landlords ('RSL').

We are committed to the continuous improvement in the standard of our design for individual homes and entire developments. We have introduced design guidelines to spread best practice throughout the business and our internal annual design competition promotes high standards of design which focuses on the layout of developments, the creation of places where our customers want to live and compliance with our own and national design standards.

We have a specialist public sector developments team, which works on schemes delivering homes on regenerated former public sector land, and seeks to promote the highest industry standards for community engagement, environmental practice and local employment. We also have a national team which provides expertise to our divisions in the area of affordable housing, grants and working with RSLs.

We continue to build the majority of our developments on brownfield sites, with 70% (2009: 70%) of our legal completions in the year being on brownfield land, which significantly exceeds the previous Government's target of 60%.

Land and planning

Our strategy has been to replan existing sites and undertake targeted land buying to seek to deliver future margin growth. We have detailed planning consents in place on 95% of land required for 2011 forecast completions and outline consent in respect of an additional 3%.

Our land bank

Our land bank consists of both owned and controlled plots. At 30 June 2010, we had 62,340 (2009: 68,000) owned and controlled plots consisting of 50,948 (2009: 53,541) owned/unconditional plots and 11,392 (2009: 14,459) plots under conditional contracts. This amounts to a 5.5 year land bank at 2010 financial year completions volumes (2009: 6.0 years). In addition, we have c.11,000 (2009: 10,400) acres of strategic land which are regularly reassessed until the necessary planning consents are obtained, and carried at the lower of cost and net realisable value minimising our exposure to risk from these strategic land holdings.

At 30 June 2010, our land bank had a carrying-value of £2,308.7m (2009: £2,453.2m) with an average cost per plot of £43,100 (2009: £44,000). The average selling price of the plots within our land bank is currently expected to be c.£180,000 giving an average plot cost to average selling price ratio of 24% (2009: 26%).

During the year, an impairment to our land bank carrying-value of £4.8m was recorded in respect of the disposal of Atlantic Quay 5, a commercial development. Whilst our land bank carrying-value has been reviewed for impairment at 30 June 2010 and no additional net impairment charge was required, should UK house prices or commercial property values decline or rise in future, further impairments or reversals in impairments of the carrying-value of our land bank may be required.

Land acquisition

Each division has a dedicated land buying team with local knowledge and experience. These teams identify land suitable for development and secure planning permission to enable new homes to be built. This capability, combined with our strategic land portfolio, is designed to ensure that we have sufficient land to meet customer demand.

Our future growth and profitability is influenced by the quality of the land that we purchase and develop. Accordingly, one of our key priorities has been targeted land buying and since re-entering the land market in mid-2009 to 30 June 2010 we had agreed terms on £527.2m of land purchases, the majority of which we will acquire on the basis of deferred payment. This equates to 96 sites and 13,359 plots of which 77% are for houses. With an expected average selling price of c.£197,000, based on current prices, the average plot cost to average selling price ratio on this land would be 20%.

Land approvals since mid-2009	**30 June 2010**
Total approved	£527.2m
Total number of plots	13,359
Location	
- South : North (by value)	66% : 34%
- South : North (by plots)	51% : 49%
Vendor	
- Government : Private	34% : 66%
Type	
- Brownfield : Greenfield	60% : 40%
- Houses : Flats	77% : 23%
Status	
- Owned	52%
- Contracted	30%
- Progressing	18%

During the financial year, land additions were £339m (2009: £219m) and £253m (2009: £264m) was spent on land resulting in land creditors at 30 June 2010 of £566.8m (2009: £470.6m) of which £266.6m (2009: £225.4m) fall due within one year.

Whilst we will continue to pursue land opportunities where the expected returns exceed our hurdle rates, the rate of acquisition is likely to slow given our success over the past year and the increased competition in the market. In addition, we expect our cash expenditure for land to increase reflecting the payment as they fall due of deferred amounts upon the land purchases acquired since re-entering the land market in mid-2009.

Planning
In the year to 30 June 2009 we started the replanning of a number of our sites to replace flats with houses, a process which has continued this year. The proportion of our completions which were houses in the financial year was 60% (2009: 46%). Outside London, houses were 65.9% (2009: 50.5%) of completions.

There is currently some uncertainty surrounding the planning process with the new Government's move from a policy based on central targets to a more devolved framework. However, at 30 June 2010, detailed planning consents were in place on 95% (2009: 96%) of land required to meet our forecast activity for the 2011 financial year. In addition, we had outline planning consents on a further 3% of our forecast completion volumes.

Customer service and quality
We are committed to offering the highest standards of quality and customer service. We seek to develop our quality and service standards by listening to customers, monitoring performance and adopting best practice throughout the Group.

Communicating with our customers
Our sales and marketing team has continued to promote our brands throughout the year using focused marketing campaigns. This included use of the internet, radio and direct mail, targeted incentives and discounts for customers and tools such as shared equity products and part-exchange.

We have completed the introduction of I-Sales, our new sales technology in our sales centres across Britain during the financial year. I-Sales combines website capability with the Group's computerised customer database.

In December 2009 we launched our new customer call centre to help with any enquiries to the Group. The call centre enables us to provide a consistent standard of service and deal with high call volumes ensuring that customers can easily contact us. The call centre transfers the customer's details to the appropriate Sales Adviser so that we can quickly contact them and start to help them with their home purchase.

Customer Care Charter
We have a Customer Care Charter which we use to explain our commitment to customers and to brief and train our sales teams. During the last twelve months we have sought to embed further the Charter within our systems and processes. In particular we have rolled out our Quality and Cost programme, introduced a new out of hours service and an online customer enquiry procedure.

We continue to make progress in improving customer service and during the year, 97% (2009: 96%) of our customers surveyed said they would recommend us to a friend. These scores form part of our overall customer survey which our customers are contacted to complete nine weeks after legal completion of the purchase of their new home. We monitor the results of the survey on a monthly basis throughout our business.

Continuing to develop our customer service and sales teams
We have completed the roll-out of our Quality and Cost programme which implements best practice in our pre and post completion activities, including customer service. We also regularly share best practice amongst our Customer Service Managers and have introduced new hand held terminal technology to all of our sites as part of the Quality and Cost programme. We have focused in particular upon the early stages of the customer journey and have introduced the Sales Development Tracker ('SDT') to our sales team.

The SDT is a document personal to each Sales Adviser and records their learning and career progression to ensure that they continually develop and improve their skills. We believe that this will improve our Sales Advisers' efficiency and effectiveness, thus improving the quality of service we provide to our customers.

Consumer Code implementation
The Consumer Code was introduced as the result of agreement between the housebuilding industry and the Government with the main purpose to ensure that consumers:

- are treated fairly;
- know what service levels to expect;
- are given reliable information on which to make suitably informed decisions; and
- know how to access speedy, low cost dispute resolution if they are dissatisfied.

The Consumer Code applies to all reservations made on or after 1 April 2010 and only to claims made within two years of the legal completion date.

We have developed point of sale material for our sales offices to implement the Consumer Code and have made changes to all of our reservation forms to ensure that all stages of the purchase process comply with the Consumer Code and that customers are fully informed through the sales process. We have also undertaken a training programme across the business for our Sales Advisers, Sales Managers and divisional management teams to communicate the principles and requirements of the Consumer Code.

Working with mortgage providers
We also recognise the importance of assisting customers to find suitable financial assistance to purchase their new homes. The Group's Lender Relations Manager works closely with mortgage lenders in order to assure them that the homes built by the Group are of a high quality which they can confidently lend on and to gain their support for affordable housing schemes such as HomeBuy Direct.

External awards
Our high quality homes have been recognised independently by the achievement of Five Star builder status in the Home Builders Federation annual customer satisfaction survey and the award of *Daily Telegraph* Homebuilder of the Year at the British Homes Awards 2010.

Five-year warranty
In addition to the record number of awards the Group has received for quality during the year, we are the only volume housebuilder to have introduced a five-year warranty. This covers fixtures and fittings and is additional to the ten-year NHBC warranty on the fabric of the building. During the year this has started to work effectively as a point of sale incentive for the customer.

Group Finance Director's review

Results

The Group has significantly improved its operating margin and reduced its net debt against the backdrop of a market that remained challenging throughout the year with continued constraints on the availability of mortgage finance and overall economic concerns.

Performance metrics were as follows:

- Revenue was £2,035.2m (2009: £2,285.2m).
- Total completions[1] decreased by 14.3% to 11,377 (2009: 13,277).
- Profit from operations before operating exceptional items[2] increased by 163% to £90.1m (2009: £34.2m).
- Operating exceptional items[2] comprised an impairment of inventories of £4.8m (2009: £499.5m), reorganisation costs of £11.0m (2009: £27.1m) and a pension curtailment gain of £nil (2009: £7.1m).
- Profit from operations was £74.3m (2009: £485.3m loss).
- Operating margin before operating exceptional items[2] was 4.4% (2009: 1.5%).
- Adjusted loss per share before exceptional items[3] was 2.9p (2009: 15.6p (restated[4])).
- Basic loss per share was 14.5p (2009: 89.1p (restated[4])).

Segmental analysis

The Group's operations comprise of two segments, housebuilding and commercial developments. These segments reflect the different product offerings and market risks facing the business.

The table below shows the respective contributions for these segments to the Group:

	Housebuilding £m	Commercial developments £m	Total £m
Revenue	2,000.1	35.1	2,035.2
Profit/(loss) from operations before operating exceptional items[2]	91.4	(1.3)	90.1
Profit/(loss) from operations	80.4	(6.1)	74.3

An analysis of the operational performance of these segments is provided within the Business review.

Exceptional items

The Group incurred exceptional items before tax in the year of £129.9m (2009: £534.8m). This comprised operating exceptional items of £15.8m (2009: £519.5m) and exceptional finance costs of £114.1m (2009: £13.3m).

Operating exceptional items

i) Impairment of land and work in progress

The Group recognised a total net impairment of land and work in progress of £4.8m (2009: £499.5m) during the year relating to the disposal of Atlantic Quay 5 in November 2009 for £25.0m. This sale completed the planned sale of legacy assets from the Wilson Bowden Developments portfolio for a total of around £200m.

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[1] Total completions of 11,377 (2009: 13,277) comprise private completions of 9,455 (2009: 11,133), social completions of 1,870 (2009: 2,069) and joint venture completions of 52 (2009: 75).

[2] Operating exceptional items, comprising impairment of inventories and restructuring costs, were £15.8m (2009: £519.5m including pension curtailment gain) of which £11.0m (2009: £446.4m) related to the housebuilding business and £4.8m (2009: £73.1m) related to the commercial developments business.

[3] Exceptional items comprise operating exceptional items of £15.8m (2009: £519.5m), exceptional finance costs arising from the amended financing arrangements of £114.1m (2009: £13.3m arising from redemption of certain private placement notes), net impairment of inventories relating to investments accounted for using the equity method of £nil (2009: £2.0m) and the related tax credit on exceptional items of £35.4m (2009: £148.3m).

[4] The number of shares in issue has been revised to reflect the Rights Issue as required by IAS 33 'Earnings per Share' which has adjusted the loss per share.

The Group has completed a site-by-site impairment review using valuations incorporating forecast sales rates and average selling prices that reflected both current and anticipated trading conditions. Since overall average selling prices across the Group's developments were primarily in-line with those incorporated into prior period impairment reviews no further impairment was required at 30 June 2010, although there were gross impairment reversals and charges of £57.4m due to variations in market conditions across housebuilding sites. It should be noted that if there were to be a future decline or rise in UK house prices then a further impairment or reversal of impairment of the Group's land bank may be required.

ii) Restructuring costs
During the year, the Group continued to adjust its operations in light of current trading conditions resulting in £11.0m (2009: £27.1m) of reorganisation and restructuring costs.

Financing exceptional item
On 23 September 2009 the Company announced a fully underwritten Placing and Rights Issue, raising gross proceeds of £720.5m, and the amendment of its financing facilities. The equity issue was completed on 4 November 2009 and the amended financing facilities came into effect on 16 November 2009. As a consequence of amending the financing arrangements the Group incurred £114.1m of exceptional items related to the amendments to and prepayments of indebtedness under the Group's financing arrangements.

Tax benefit of exceptional items
The tax benefit of the operating and financing exceptional items was £35.4m (2009: £148.3m).

Finance cost
The net finance charge before exceptional costs for the year was £121.6m (2009: £177.3m). This included a non-cash finance charge of £30.9m (2009: £26.7m). After financing exceptional costs of £114.1m (2009: £13.3m), the net finance charge for the year was £235.7m (2009: £190.6m).

For the financial year ending 30 June 2011 we currently expect the total finance charge to be approximately £105m, consisting of cash interest of around £75m on net debt including term debt and around £30m of non-cash finance charge.

Tax
The Group's tax credit for the year was £44.5m (2009: £210.3m), an effective rate of 27.3% (2009: 31.0%). This differed from the standard rate of 28% mainly due to adjustments related to prior periods.

During the year, the Group received tax refunds totalling £53.8m relating to the carry back of losses from the prior financial year.

For the financial year ending 30 June 2011 we expect the total taxation charge to be around the standard rate of corporation tax of 27% excluding the impact of the charge arising from the reduction in the value of the Group's deferred tax asset due to the change in the standard rate of corporation tax from 28% to 27%.

Dividend
The Board suspended dividend payments in June 2008 as part of its cash conservation policy. The Board remains focused on strengthening the balance sheet and conserving cash. The existing terms of the Group's committed bank facilities and private placement notes do not allow the declaration and payment of dividends in respect of the financial year ended 30 June 2010.

The Board is committed to reinstating the payment of dividends and will when it becomes appropriate to do so.

Losses recognised in equity
During the year £3.6m (2009: £70.4m) of losses have been recognised in equity predominantly relating to actuarial losses on the defined benefit pension scheme partially offset by movements on interest rate swaps (2009: losses on interest rate swaps).

Balance sheet
The net assets of the Group increased by £568.6m to £2,900.2m primarily reflecting the receipt of net proceeds of £693.0m from the Group's Placing and Rights Issue and the loss after tax for the year of £118.4m.

Significant movements in the balance sheet included:

- The Group's book value of land was £2,308.7m (2009: £2,453.2m), a decrease of £144.5m. This decrease included land additions of £339m offset by land usage.

- Group work in progress at 30 June 2010 was £981.4m (2009: £1,044.2m). The fall of £62.8m reflects the reduction in number of sites and the Group's continued focus upon careful management of work in progress levels upon trading sites. At 30 June 2010, there were 746 (2009: 822) unreserved completed units, an average of 2.2 (2009: 2.2) unreserved units per active site.

- Group net debt decreased by £910.0m to £366.9m over the full year of which £693.0m represented the net proceeds from the Placing and the Rights Issue, an outflow of £111.1m related to exceptional finance costs arising from the Group's amended financing arrangements and £2.2m related to the purchase of shares for the Group's Employee Benefits Trust ('EBT') following the Rights Issue and the remaining inflow of £330.3m was due to cash flow from operations, interest and taxation.

- Goodwill and intangible assets remained at £892.2m as the annual impairment review of the entire housebuilding business and brand indicated that no impairment was required.

- The Group had a corporation tax creditor of £2.8m (2009: £50.6m asset) and a deferred tax asset of £173.3m (2009: £127.3m). During the year the Group received £53.8m of tax refunds. The Group's deferred tax asset increased by £46.0m (including £46.6m due to losses that will be carried forward to offset the tax liabilities arising from future profits). The changes to corporation tax rates announced in the June 2010 Budget will reduce the future value of the Group's carried forward losses. As the changes were not substantively enacted at 30 June 2010, they are not reflected in the Group's deferred tax asset. The reduction in corporation tax rate from 28% to 27%, which has been enacted since the balance sheet date, will reduce the Group's deferred tax asset by £6.2m to £167.1m.

- The pension fund deficit on the Barratt Developments defined benefit pension scheme increased by £14.6m in the year to £46.1m mainly due to lower than anticipated corporate bond yields and revised life expectancy assumptions.

- Trade and other payables were £1,313.5m (2009: £1,107.8m) including an increase of £96.2m in land payables from £470.6m to £566.8m reflecting increased land acquisitions on deferred payment terms during the year.

Cash flow

Group net debt at the year end was £366.9m (2009: £1,276.9m). The decrease in net debt is explained by the tables below.

	Year ended 30 June 2010 £m	**Half year ended 31 December 2009 £m**	**Half year ended 30 June 2010 £m**	Year ended 30 June 2009 £m	Half year ended 31 December 2008 £m	Half year ended 30 June 2009 £m
Net debt at start of period	**(1,276.9)**	**(1,276.9)**	**(605.3)**	(1,650.6)	(1,650.6)	(1,422.8)
Operating cash flow	**369.8**	**101.4**	**268.4**	511.8	307.8	204.0
Tax and net interest paid	**(40.9)**	**(5.2)**	**(35.7)**	(100.3)	(53.0)	(47.3)
Free cash flow	**328.9**	**96.2**	**232.7**	411.5	254.8	156.7
Acquisitions	-	-	**-**	(4.0)	(3.9)	(0.1)
Investments in joint ventures	**1.8**	**(5.2)**	**7.0**	(20.7)	(24.5)	3.8
Net fixed asset (purchases)/proceeds	**(0.4)**	**(0.2)**	**(0.2)**	0.2	1.4	(1.2)
Share issue	**720.5**	**720.5**	**-**	-	-	-
Share issue costs	**(27.5)**	**(26.7)**	**(0.8)**	-	-	-
Exceptional finance costs	**(111.1)**	**(110.8)**	**(0.3)**	(13.3)	-	(13.3)
Purchase of shares for EBT	**(2.2)**	**(2.2)**	**-**	-	-	-
Net debt at end of period	**(366.9)**	**(605.3)**	**(366.9)**	(1,276.9)	(1,422.8)	(1,276.9)

An analysis of the Group's free cash flow is as follows:

	Year ended 30 June 2010 £m	**Half year ended 31 December 2009 £m**	**Half year ended 30 June 2010 £m**	Year ended 30 June 2009 £m	Half year ended 31 December 2008 £m	Half year ended 30 June 2009 £m
Profit from operations before operating exceptional items[1]	**90.1**	**21.0**	**69.1**	34.2	16.0	18.2
Operating exceptional items[1]	**(15.8)**	**(15.8)**	-	(519.5)	(513.9)	(5.6)
Total non-cash items (excluding exceptional write-off of unamortised facility fees)	**(16.6)**	**(3.0)**	**(13.6)**	503.0	495.0	8.0
Land, work in progress and other inventories	**193.7**	**149.0**	**44.7**	795.5	516.3	279.2
Other working capital	**118.4**	**(49.8)**	**168.2**	(301.4)	(205.6)	(95.8)
Operating cash flow	**369.8**	**101.4**	**268.4**	511.8	307.8	204.0
Net interest paid	**(94.7)**	**(58.8)**	**(35.9)**	(151.6)	(84.3)	(67.3)
Taxation	**53.8**	**53.6**	**0.2**	51.3	31.3	20.0
Tax and net interest paid	**(40.9)**	**(5.2)**	**(35.7)**	(100.3)	(53.0)	(47.3)
Free cash flow	**328.9**	**96.2**	**232.7**	411.5	254.8	156.7

[1] Operating exceptional items, comprising impairment of inventories and restructuring costs were £15.8m (2009: £519.5m comprised impairment of inventories, pension curtailment gain and restructuring costs).

The decrease in net debt of £910.0m during the year was made up of inflows of £671.6m in the first half and £238.4m in the second half. The inflows included £693.0m relating to the net proceeds from the Group's Placing and Rights Issue. In addition there was £111.1m related to exceptional finance costs arising from the Group's amended financing arrangements and £2.2m relating to the purchase of shares for the Group's EBT following the Rights Issue.

The Group expects cash expenditure on land to increase during the 2011 financial year due to payment falling due on land acquired on deferred terms since re-entering the land market in mid-2009. As a result, it is expected that there will be a small increase in full year debt levels for the 2011 financial year with debt at the half year expected to be considerably higher than as at 30 June 2010 in-line with normal operational trends.

Treasury
The Board approves treasury policies and certain day-to-day treasury activities have been delegated to a Treasury Operating Committee that in turn regularly reports to the Board. The Group operates a centralised treasury function which operates within guidelines established by the Board and the Treasury Operating Committee.

The Group has a conservative treasury risk management strategy which includes a target that 60-80% of the Group's median gross borrowings calculated on the latest three-year plan should be at fixed rates of interest. At 30 June 2010, 70.4% (2009: 68.4%) of the Group borrowings were fixed. Group interest rates are fixed using both swaps and fixed rate debt instruments.

Capital structure
On 23 September 2009 the Company announced a fully underwritten Placing and Rights Issue, raising gross proceeds of £720.5m, and certain amendments to the terms of its financing arrangements, which would come into effect following completion of the Placing and the Rights Issue. The equity issue was completed on 4 November 2009 and the amended financing arrangements came into effect on 16 November 2009. The Placing and the Rights Issue, together with the amended financing arrangements, have significantly strengthened the position of the Group and have enabled the Group to take advantage of land acquisition opportunities.

In conclusion
During the year, the Group has successfully increased operating profit through optimising sales prices and tight cost control. This improvement resulted in the Group making a profit after tax of £9.0m in the second half.

The Group remains committed to maximising operating margins through optimising prices and continuing to control costs rather than pursuing volumes.

David Thomas
Group Finance Director

Condensed consolidated income statement
for the year ended 30 June 2010

	Notes	**2010 Before exceptional items £m**	**2010 Exceptional items (note 6) £m**	**2010 £m**	2009 Before exceptional items £m	2009 Exceptional items (note 6) £m	2009 £m
Continuing operations							
Revenue	5	**2,035.2**	**–**	**2,035.2**	2,285.2	–	2,285.2
Cost of sales		**(1,850.4)**	**(4.8)**	**(1,855.2)**	(2,155.8)	(499.5)	(2,655.3)
Gross profit/(loss)		**184.8**	**(4.8)**	**180.0**	129.4	(499.5)	(370.1)
Administrative expenses		**(94.7)**	**(11.0)**	**(105.7)**	(95.2)	(20.0)	(115.2)
Profit/(loss) from operations	5	**90.1**	**(15.8)**	**74.3**	34.2	(519.5)	(485.3)
Finance income	7	**13.4**	**–**	**13.4**	18.0	–	18.0
Finance costs	7	**(135.0)**	**(114.1)**	**(249.1)**	(195.3)	(13.3)	(208.6)
Net finance costs	7	**(121.6)**	**(114.1)**	**(235.7)**	(177.3)	(13.3)	(190.6)
Share of post-tax loss from joint ventures		**(1.5)**	**–**	**(1.5)**	(1.0)	(2.0)	(3.0)
Loss before tax		**(33.0)**	**(129.9)**	**(162.9)**	(144.1)	(534.8)	(678.9)
Tax	8	**9.1**	**35.4**	**44.5**	62.0	148.3	210.3
Loss for the year from continuing operations		**(23.9)**	**(94.5)**	**(118.4)**	(82.1)	(386.5)	(468.6)
Loss for the year attributable to equity shareholders		**(23.9)**	**(94.5)**	**(118.4)**	(82.1)	(386.5)	(468.6)
Loss per share from continuing operations							
Basic and diluted (restated*)	9			**(14.5)p**			(89.1)p

*Loss per share from continuing operations has been adjusted to reflect the Rights Issue as required by IAS 33 'Earnings per Share'.

Condensed consolidated statement of comprehensive income
for the year ended 30 June 2010

	Notes	**2010 £m**	2009 £m
Loss for the year		**(118.4)**	(468.6)
Other comprehensive (expense)/income			
Losses on cash flow hedges		**(43.6)**	(62.8)
Actuarial losses on defined benefit pension schemes	16	**(26.3)**	(14.1)
Tax credit on items taken directly to equity	8	**19.9**	21.8
Net loss recognised directly in equity		**(50.0)**	(55.1)
Amortisation of losses on cancelled interest rate swaps deferred in equity	7	**0.2**	0.4
Transfer from/(to) income statement on cash flow hedges – non exceptional	7	**14.1**	(21.7)
Transfer from income statement on cash flow hedges – exceptional		**50.1**	–
Tax (charge)/credit on items taken directly to equity	8	**(18.0)**	6.0
Net profit/(loss) transferred		**46.4**	(15.3)
Total comprehensive expense recognised for the year attributable to equity shareholders		**(122.0)**	(539.0)

Condensed consolidated statement of changes in shareholders' equity at 30 June 2010

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Own Shares £m	Share-based payments £m	Retained earnings £m	Total retained earnings* £m	Total £m
At 1 July 2008	34.7	206.6	1,109.0	(3.4)	(2.8)	14.0	1,509.7	1,520.9	2,867.8
Loss for the year	-	-	-	-	-	-	(468.6)	(468.6)	(468.6)
Losses on cash flow hedges	-	-	-	(62.8)	-	-	-	-	(62.8)
Transfer to income statement on cash flow hedges	-	-	-	(21.7)	-	-	-	-	(21.7)
Amortisation of losses on cancelled interest rate swaps deferred in equity	-	-	-	0.4	-	-	-	-	0.4
Actuarial losses on pension scheme	-	-	-	-	-	-	(14.1)	(14.1)	(14.1)
Tax on items taken directly to equity	-	-	-	23.6	-	0.2	4.0	4.2	27.8
Total comprehensive expense recognised for the year ended 30 June 2009	-	-	-	(60.5)	-	0.2	(478.7)	(478.5)	(539.0)
Share-based payments	-	-	-	-	-	2.8	-	2.8	2.8
Transfer of share-based payments charge for non-vested options	-	-	-	-	-	(2.1)	2.1	-	-
At 30 June 2009	34.7	206.6	1,109.0	(63.9)	(2.8)	14.9	1,033.1	1,045.2	2,331.6
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(118.4)**	**(118.4)**	**(118.4)**
Losses on cash flow hedges	**-**	**-**	**-**	**(43.6)**	**-**	**-**	**-**	**-**	**(43.6)**
Transfer from income statement on cash flow hedges – non exceptional	**-**	**-**	**-**	**14.1**	**-**	**-**	**-**	**-**	**14.1**
Transfer from income statement on cash flow hedges – exceptional	**-**	**-**	**-**	**50.1**	**-**	**-**	**-**	**-**	**50.1**
Amortisation of losses on cancelled interest rate swaps deferred in equity	**-**	**-**	**-**	**0.2**	**-**	**-**	**-**	**-**	**0.2**
Actuarial losses on pension scheme	**-**	**-**	**-**	**-**	**-**	**-**	**(26.3)**	**(26.3)**	**(26.3)**
Tax on items taken directly to equity	**-**	**-**	**-**	**(5.8)**	**-**	**0.4**	**7.3**	**7.7**	**1.9**
Total comprehensive expense recognised for the year ended 30 June 2010	**-**	**-**	**-**	**15.0**	**-**	**0.4**	**(137.4)**	**(137.0)**	**(122.0)**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**(0.2)**	**-**	**(0.2)**	**(0.2)**
Issue of shares	**61.8**	**-**	**-**	**-**	**-**	**-**	**658.7**	**658.7**	**720.5**
Fees relating to issue of shares	**-**	**-**	**-**	**-**	**-**	**-**	**(27.5)**	**(27.5)**	**(27.5)**
Purchase of shares by Employee Benefit Trust	**-**	**-**	**-**	**-**	**(2.2)**	**-**	**-**	**(2.2)**	**(2.2)**
Transfer of share-based payments charge for non-vested options	**-**	**-**	**-**	**-**	**-**	**(1.9)**	**1.9**	**-**	**-**
At 30 June 2010	**96.5**	**206.6**	**1,109.0**	**(48.9)**	**(5.0)**	**13.2**	**1,528.8**	**1,537.0**	**2,900.2**

* Ordinarily, the excess of the proceeds over the nominal value of the share capital would be credited to non-distributable share premium account. However, the Placing and the Rights Issue were effected through a structure which resulted in the excess of the proceeds over the nominal value of the share capital issued being recognised within retained earnings.

Condensed consolidated balance sheet
at 30 June 2010

	Notes	**2010 £m**	2009 £m
Assets			
Non-current assets			
Other intangible assets		**100.0**	100.0
Goodwill	10	**792.2**	792.2
Property, plant and equipment		**6.7**	9.9
Investments accounted for using the equity method		**79.9**	83.2
Available for sale financial assets	11	**136.3**	86.5
Trade and other receivables		**0.8**	1.5
Deferred tax assets		**173.3**	127.3
Derivative financial instruments – swaps	14	**32.7**	31.9
		1,321.9	1,232.5
Current assets			
Inventories	12	**3,342.3**	3,540.8
Trade and other receivables		**66.1**	41.5
Cash and cash equivalents	13	**546.5**	178.8
Current tax assets		**–**	50.6
		3,954.9	3,811.7
Total assets		**5,276.8**	5,044.2
Liabilities			
Non-current liabilities			
Loans and borrowings	13	**(918.6)**	(1,475.6)
Trade and other payables		**(300.8)**	(245.4)
Retirement benefit obligations	16	**(46.1)**	(31.5)
Derivative financial instruments – swaps	14	**(72.4)**	(89.2)
		(1,337.9)	(1,841.7)
Current liabilities			
Loans and borrowings	13	**(23.2)**	(8.5)
Trade and other payables		**(1,012.7)**	(862.4)
Current tax liabilities		**(2.8)**	–
		(1,038.7)	(870.9)
Total liabilities		**(2,376.6)**	(2,712.6)
Net assets		**2,900.2**	2,331.6
Equity			
Share capital	17	**96.5**	34.7
Share premium		**206.6**	206.6
Merger reserve		**1,109.0**	1,109.0
Hedging reserve		**(48.9)**	(63.9)
Retained earnings		**1,537.0**	1,045.2
Total equity		**2,900.2**	2,331.6

Condensed consolidated cash flow statement
for the year ended 30 June 2010

	Notes	**2010** **£m**	2009 £m
Net cash inflow from operating activities	18	**291.4**	407.8
Cash flows from investing activities			
Purchase of property, plant and equipment		**(0.4)**	(2.1)
Proceeds from sale of property, plant and equipment		**–**	2.3
Acquisition of subsidiaries net of cash acquired		**–**	(4.0)
Decrease/(increase) in investments accounted for using the equity method		**1.8**	(20.7)
Interest received		**6.5**	3.7
Net cash inflow/(outflow) from investing activities		**7.9**	(20.8)
Cash flows from financing activities			
Proceeds from issue of share capital		**720.5**	–
Share issue costs		**(27.5)**	–
Purchase of shares by Employee Benefit Trust		**(2.2)**	–
Make-whole fee on redemption of private placement notes		**(4.9)**	–
Hedging termination costs		**(49.7)**	–
Other fees related to amendment of financing arrangements		**(6.5)**	–
Loan repayments		**(561.3)**	(241.0)
Net cash inflow/(outflow) from financing activities		**68.4**	(241.0)
Net increase in cash and cash equivalents		**367.7**	146.0
Cash and cash equivalents at the beginning of year		**178.8**	32.8
Cash and cash equivalents at the end of year	13	**546.5**	178.8

*The categorisation of various items within the cash flow statement for the year ended 30 June 2009 has been reclassified for consistency of presentation with the year ended 30 June 2010.

Notes to the condensed consolidated financial statements
for the year ended 30 June 2010

1. Cautionary statement

The Chairman's statement, Group Chief Executive's statement, Business review and Group Finance Director's review contained in this Annual Results Announcement, including the Principal risks and uncertainties (note 23), have been prepared by the Directors in good faith based on the information available to them up to the time of their approval of this report solely for the Company's shareholders as a body, so as to assist them in assessing the Group's strategies and the potential for those strategies to succeed and accordingly should not be relied on by any other party or for any other purpose and the Company hereby disclaims any liability to any such other party or for reliance on such information for any such other purpose.

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

2. Basis of preparation

Whilst the financial information included in this Annual Results Announcement has been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and Standing Interpretations Committee ('SIC) interpretations as adopted and endorsed by the European Union ('EU'), this announcement does not itself contain sufficient information to comply with IFRS. Full financial statements that comply with IFRS are included in the 2010 Annual Report and Accounts which will be circulated to shareholders in October 2010 and made available at www.barrattdevelopments.co.uk at that point.

The accounting policies adopted are consistent with those followed in the preparation of the Group's 2010 Annual Report and Accounts which have not changed significantly from those adopted in the Group's 2009 Annual Report and Accounts. A summary of the more significant Group accounting policies is set out below.

This Annual Results Announcement has been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets, derivative financial instruments and share-based payments. The preparation of condensed financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, actual results may ultimately differ from those estimates. The most significant estimates made by the Directors in these condensed financial statements are set out in 'Critical accounting judgements and key sources of estimation uncertainty' (note 4).

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.

The Group's business activities, together with factors which the Directors consider are likely to affect its future development, financial performance and financial position are set out in the Group Chief Executive's review and the Business review. The material financial and operational risks and uncertainties that may impact the Group's performance and their mitigation are outlined in the principal risks and uncertainties and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 15.

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the Principal risks and uncertainties (note 23), factors that particularly impact upon the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for the Group's purchasers and interest rates.

On 23 September 2009 the Company announced a fully underwritten Placing and Rights Issue, raising gross proceeds of £720.5m, together with amended financing arrangements. The equity issue was completed on 4 November 2009 and the amended financing arrangements came into effect on 16 November 2009.

The Placing and the Rights Issue, together with the amended financing arrangements, have significantly strengthened the position of the Group and have enabled the Group to take advantage of land acquisition opportunities. There has been some recovery in the new housing market during the year, although the market remains subject to economic uncertainty and a lack of mortgage finance particularly in the higher loan to value segment. The amended financing arrangements provide an appropriate alternative framework for the Group should a further downturn arise.

Accordingly, after making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future being at least twelve months from the date of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

3. Accounting policies

Adoption of new and revised standards

In the year ended 30 June 2010, the Group has adopted:

IAS1 (revised) 'Presentation of Financial Statements', IFRS8 'Operating Segments', IAS23 (revised) 'Borrowing Costs', IFRS2 (revised) 'Share-based Payments', Amendment to IFRS7 'Improving Disclosures about Financial Instruments', IFRS3 (revised) 'Business Combinations', IFRIC15 'Agreements for the construction of real estate', Amendment to IFRS1 and IAS27 'Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate', certain Improvements to IFRSs, Amendment to IAS39 'Eligible hedged items', IFRIC16 'Hedges of a net investment in a foreign operation', Amendments to IAS32 'Financial Instruments: Presentation' and IAS1 'Presentation of financial statements for certain puttable financial instruments and obligations arising on liquidation', IAS27 (revised) 'Consolidated and separate financial statements', IFRS1 (revised) 'First Time Adoption of IFRS', IFRIC17 'Distributions of Non-Cash Assets to Owners', IFRIC18 'Transfers of Assets from Customers' and Amendments to IFRIC9/IAS39 'Embedded derivatives'.

- IAS1 (revised) 'Presentation of Financial Statements'

IAS1 (revised) requires the production of a statement of comprehensive income setting out all items of income and expense relating to non-owner changes in equity. There is a choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income. The Group has elected to present comprehensive income in two statements. In addition, IAS1 (revised) requires the statement of changes in shareholders' equity to be presented as a primary statement. The other revisions to IAS1 have not had a significant impact on the presentation of the Group's financial information. Following the adoption of IAS1 (revised), having assessed the materiality of restatements arising from the adoption of new standards and interpretations in the financial statements for the year ended 30 June 2010 and the impact of restating earnings per share in accordance with IAS33 following the Rights Issue, the Directors consider that these have not had a significant impact upon these financial statements and accordingly balance sheets at 30 June 2008 are not presented.

- IFRS8 'Operating Segments'

IFRS8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which in the case of the Group is the Board, to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard (IAS14 'Segment Reporting') required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

The Group has determined in accordance with IFRS8 that its reported operating segments will be based on business segments (which were the basis of its primary operating segments under IAS14), and the segmental information set out in note 5 is presented on this basis. The adoption of this standard has not resulted in a change in the Group's reportable segments and accordingly there has been no change in the allocation of goodwill between existing cash-generating units. IFRS8 also requires the disclosure of information about geographical segmentation. As the Group operates in a single geographic market, no secondary segmentation is provided.

- IAS23 (revised) ‘Borrowing Costs’

IAS23 (revised) requires the capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use) as part of the cost of the asset. The amendment removes the option of immediately expensing borrowing costs, subject to an exemption for inventories manufactured in large numbers on a repetitive basis.

The Group has evaluated its business processes and where developments are considered to fall under the requirements of IAS23 (revised) costs are capitalised. Borrowing costs of £nil have been capitalised at 30 June 2010. IAS23 (revised) applies prospectively and therefore no restatement to prior years is required on implementation.

- IFRS2 (revised) ‘Share-based Payments’.

The amendment to IFRS2 requires non-vesting conditions to be taken into account in the estimate of the fair value of the equity instruments. The adoption of the amendment has resulted in a charge of £0.4m in the administrative expenses charged in the consolidated income statement for the year ended 30 June 2010 and no net change in equity at 30 June 2010. The change in accounting policy had no impact upon the prior year consolidated income statement or equity.

- Amendment to IFRS7 ‘Improving Disclosures about Financial Instruments’

The amendment to IFRS7 expands the disclosure requirements in respect of fair value measurements recognised in the statement of financial position. The amendment has required additional disclosures in the financial statements in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative financial information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

- IFRS3 (revised) ‘Business Combinations’

The revision to IFRS3 requires transaction costs to be expensed rather than included as costs of acquisition, and contingent consideration will be required to be fair valued. In addition, there will be a choice of two goodwill measurement methods where less than 100% of the entity is acquired. Implementation of the revision to IFRS3 has not impacted upon the financial statements in the current year, however, it will have a significant impact on any future acquisitions.

- IFRIC15 ‘Agreements for the construction of real estate’

IFRIC15 provides guidance on whether the construction of real estate should be accounted for under IAS11 or IAS18. The Group already accounted for the construction of real estate in accordance with IFRIC15, and accordingly implementation of the interpretation has not impacted upon the Group.

The adoption of the following standards, interpretations and amendments has not had any impact upon the profit or net assets of the Group in either the current year or comparative year and has not required any additional disclosures.

- Amendment to IFRS1 and IAS27 ‘Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate’;
- Certain Improvements to IFRSs;
- Amendment to IAS39 ‘Eligible hedged items’;
- IFRIC16 ‘Hedges of a net investment in a foreign operation’;
- Amendments to IAS32 ‘Financial Instruments: Presentation’ and IAS1 ‘Presentation of financial statements for certain puttable financial instruments and obligations arising on liquidation’;
- IAS27 (revised) ‘Consolidated and separate financial statements’;
- IFRS1 (revised) ‘First Time Adoption of IFRS’;
- IFRIC17 ‘Distributions of Non-Cash Assets to Owners’;
- IFRIC18 ‘Transfers of Assets from Customers’; and
- Amendments to IFRIC9/IAS39 ‘Embedded derivatives’.

Basis of consolidation

The Group financial statements include the results of Barratt Developments PLC (the ‘Parent Company’) and all its subsidiary undertakings made up to 30 June. The financial statements of subsidiary undertakings are consolidated from the date when control passes to the Group using the purchase method of accounting and up to the date control ceases. All transactions with subsidiaries and intercompany profits or losses are eliminated on consolidation.

Business combinations
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 post-acquisition income statement.

Jointly controlled entities
A jointly controlled entity is an entity in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity. Jointly controlled entities are accounted for using the equity method of accounting.

Jointly controlled operations
The Group enters into jointly controlled operations as part of its housebuilding and property development activities. The Group's share of profits and losses from its investments in such jointly controlled operations is accounted for on a direct basis and is included in the consolidated income statement. The Group's share of its investments, assets and liabilities is accounted for on a directly proportional basis in the Group balance sheet.

Revenue
Revenue is recognised at legal completion in respect of the total proceeds of building and development and an appropriate proportion of revenue from construction contracts is recognised by reference to the stage of completion of contract activity. 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. The sale proceeds of part-exchange properties are not included in revenue.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Construction contracts
Revenue is only recognised on a construction contract where the outcome can be estimated reliably. Variations to, and claims arising in respect of, construction contracts, are included in revenue to the extent that they have been agreed with the customer. Revenue and costs are recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Contracts are only treated as construction contracts when they have been specifically negotiated for the construction of a development or property. When it is probable that the total costs on a construction contract will exceed total contract revenue, the expected loss is recognised as an expense in the income statement immediately.

Amounts recoverable on construction contracts are included in trade receivables and stated at cost plus attributable profit less any foreseeable losses. Payments received on account for construction contracts are deducted from amounts recoverable on construction contracts.

Payments received in excess of amounts recoverable on construction contracts are included in trade payables.

Exceptional items
Items that are material in size or unusual or infrequent in nature are presented as exceptional items in the income statement. The Directors are of the opinion that the separate presentation of exceptional items provides helpful information about the Group's underlying business performance. Examples of events that, inter alia, may give rise to the classification of items as exceptional are the restructuring of existing and newly-acquired businesses, gains or losses on the disposal of businesses or individual assets, pension scheme curtailments and asset impairments, including land, work in progress, goodwill and investments.

Restructuring costs
Restructuring costs are recognised in the income statement when the Group has a detailed plan that has been communicated to the affected parties. A liability is accrued for unpaid restructuring costs.

Profit/(loss) from operations
Profit/(loss) from operations includes all of the revenue and costs derived from the Group's operating businesses. Profit/(loss) from operations excludes finance costs, finance income, the Group's share of profits or losses from joint ventures and tax.

Segmental reporting
The Group consists of two separate segments for internal reporting regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance, being housebuilding and commercial developments. These segments therefore comprise the primary reporting segments within the financial statements. As all of the Group's operations are within Britain, which is one geographic market in the context of the Group's activities, there are no geographic segments to be disclosed.

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 acquisition of subsidiary undertakings and businesses is capitalised as an asset and 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 at least annually. 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.

Intangible assets
Brands
Internally generated brands are not capitalised. 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 result in 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.

The Group carries out an annual impairment review of indefinite life brands by performing a value-in-use calculation, using a discount factor based upon the Group's pre-tax weighted average cost of capital.

Investments
Interests in subsidiary undertakings are accounted for at cost less any provision for impairment.

Where share-based payments are granted to the employees of subsidiary undertakings by the Parent Company, they are treated as a capital contribution to the subsidiary and the Company's investment in the subsidiary is increased accordingly.

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.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and those overheads which have been incurred in bringing the inventories to their present location and condition.

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.

Due to the scale of the Group's developments, the Group has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments. In making these assessments there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying-values and the appropriateness of estimates made.

Lease as lessee
Operating lease rentals are charged to the income statement in equal instalments over the life of the lease.

Leases as lessor
The Group enters into leasing arrangements with third parties following the completion of constructed developments until the date of the sale of the development to third parties. Rental income from these operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised in the income statement on a straight-line basis over the lease term.

Share-based payments
The Group issues both equity-settled and cash-settled share-based payments to certain employees. In accordance with the transitional provisions, IFRS2 '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 fair value at the date of grant. Fair value is measured either using Black-Scholes, Present-Economic Value or Monte Carlo models dependent upon 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.

Cash-settled share-based payments are measured at fair value at the date of grant and are re-measured both at the end of each reporting period and at the date of settlement with any changes in fair value being recognised in the income statement for the period. Fair value is measured initially and at the end of each reporting period using a Black-Scholes model and at the date of settlement as cash paid.

Tax
The tax expense represents the sum of the tax currently payable and deferred 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 by the balance sheet date. Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates enacted, or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

Pensions

Defined contribution

The Group operates defined contribution pension schemes for certain employees. The Group's contributions to the schemes are charged in the income statement in the year in which the contributions fall due.

Defined benefit

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the statement of comprehensive income.

Past service cost, until the scheme ceased to offer future accrual of defined benefit pensions to employees from 30 June 2009, was recognised immediately to the extent that the benefits were already vested, and otherwise was amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Borrowing costs

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset where developments are considered to fall under the requirements of IAS23 (revised). Otherwise, the Group expenses borrowing costs in the period to which they relate through the income statement.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet 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.

Financial assets

Non-derivative financial assets are classified as either 'available for sale financial assets' or 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available for sale financial assets

Non-interest bearing loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in note 11.

Revenue from transactions involving available for sale financial assets is recognised at the fair value of consideration receivable.
Gains and losses arising from changes in fair value are recognised directly in the income statement including impairment losses, changes in future cash flows and interest calculated using the 'effective interest rate' method.

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 twelve months after the balance sheet date, which are classified as non-current assets and are measured at amortised cost less an allowance for any uncollectable amounts. The net of these balances are classified as 'trade and other receivables' in the balance sheet.

Trade and other receivables are classified as 'loans and receivables'.

Impairment of financial assets
Trade and other receivables are assessed for indicators of impairment at each balance sheet date and are impaired where there is objective evidence that the recovery of the receivable is in doubt.

Objective evidence of impairment could include significant financial difficulty of the customer, default on payment terms or the customer going into liquidation.

The carrying amount of trade and other receivables is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

For financial assets classified as available for sale, a significant or prolonged decline in the value of the property underpinning the value of the loan or increased risk of default are considered to be objective evidence of impairment.

In respect of debt instruments classified as available for sale financial assets, increases in the fair value of assets previously subject to impairment, which can be objectively related to an event occurring after recognition of the impairment loss are recognised in the income statement to the extent that they reverse the impairment loss.

Cash and cash equivalents
Cash and cash equivalents include cash and balances in bank accounts with no notice or less than three months notice from inception and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as ‘loans and receivables’.

Financial liabilities and equity
Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into.

Equity instruments
Equity instruments consist of the Company’s ordinary share capital and are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
All non-derivative financial liabilities are classified as ‘other financial liabilities’ and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the ‘effective interest rate’ method.

Other financial liabilities consist of bank borrowings and trade and other payables.
Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

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.

Bank borrowings
Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

Where bank agreements include a legal right of offset for in hand and overdraft balances, and the Group intends to settle the net outstanding position, the offset arrangements are applied to record the net position in the balance sheet.

Finance income and charges are accounted for using the ‘effective interest rate’ method in the income statement.

Finance costs are recognised as an expense in the income statement in the period to which they relate.

Derivative financial instruments
The Group has entered into derivative financial instruments in the form of interest rate swaps, basis rate swaps and cross currency swaps to manage the interest rate and foreign exchange rate risk arising from the Group's operations and sources of finance. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors as detailed in notes 13 and 14.

The interest rate and cross currency swap arrangements are designated as hedging instruments, being either hedges of a change in future cash flows as a result of interest rate movements, or hedges of a change in future cash flows as a result of foreign currency exchange rate movements.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedging relationship is more than twelve months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than twelve months.

Hedge accounting
All of the Group's interest rate and cross currency swaps are designated as cash flow hedges. At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedged transactions. In addition, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting the changes in cash flows of the hedged items.

Details of the fair values of the interest rate and cross currency swaps are provided in notes 13, 14 and 15. Movements on the hedging reserve in equity are detailed in the statement of changes in shareholders' equity.

Cash flow hedge
To the extent that the Group's cash flow hedges are effective, gains and losses on the fair value of the interest rate and cross currency swap arrangements are deferred in equity in the hedging reserve until realised. On realisation, such gains and losses are recognised within finance charges in the income statement. To the extent that any hedge is ineffective, gains and losses on the fair value of these swap arrangements are recognised immediately in finance charges in the income statement.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is terminated or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Government grants
Government grants are recognised in the income statement so as to match with the related costs that they are intended to compensate. Grants related to assets are deducted from the carrying amount of the asset. Grants related to income are included in the appropriate line within the income statement.

Kickstart
During the year, the Group has been granted assistance for the development of a number of sites under the Homes and Communities Agency ('HCA') 'Kickstart' scheme. Where receipts under the Kickstart scheme relate to grants they are accounted for in accordance with the policy for government grants stated above.

In addition the Group has received cash upon specific sites under the 'Kickstart equity' scheme which is repayable in future periods, as the sites to which it relates are developed, along with the share of the profits or losses attributable to the HCA arising from the sites. This liability is included within borrowings and is initially recognised at fair value by discounting it at prevailing market interest rates at the date of recognition. The discount to nominal value, which will be paid in settling the liability, is amortised over the expected life of the site and charged to finance costs using the 'effective interest rate' method. Gains and losses arising from changes in fair value of the liability related to the HCA's share of the profits or losses of the site are recognised directly in the income statement.

4. Critical accounting judgements and key sources of estimation uncertainty

In accordance with the requirements of IFRS, the Group has detailed below the critical accounting judgements made and the key sources of estimation uncertainty within the 2010 Annual Report and Accounts.

a) Critical accounting judgements
In the process of applying the Group's accounting policies, which are described in the accounting policies note, the Directors have made no individual judgements that have a significant impact upon the financial statements, apart from those involving estimations, which are dealt with below.

b) Key sources of estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet dates are discussed below.

Carrying-value of land and work in progress
The Group's principal activity is housebuilding and commercial development. Due to the nature of this activity, much of the development entered into by the Group is speculative in nature. Accordingly, the Group has in its balance sheet at 30 June 2010 current assets that are not covered by a forward sale. The Group's internal controls are designed to identify any developments where the carrying-value of land and work in progress is more than the lower of cost or net realisable value.

In respect of the years ended 30 June 2009 and 30 June 2010, the Group conducted six-monthly reviews of the net realisable value of its land and work in progress carrying-values of its sites in light of the deterioration in the UK housing market. Where the estimated net realisable value of the site was less than its current carrying-value within the balance sheet, the Group impaired the land and work in progress value. This resulted in an exceptional impairment of £499.5m in the year ended 30 June 2009 as shown in note 6 and £4.8m in the year ended 30 June 2010. These reviews were conducted on a site-by-site basis using valuations incorporating forecast sales rates, average selling prices and estimated costs to complete that reflected both current and anticipated trading conditions. These are key judgements in the impairment calculation. Should there be further significant movements in UK house prices then further impairments/reversals of previous gross impairments of land and work in progress may be necessary.

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

Recognition of profit where developments are accounted for under IAS11 'Construction Contracts'
The Group applies its policy on contract accounting when recognising revenue and profit on partially completed contracts. The application of this policy requires judgements to be made in respect of the total expected costs to complete each site. The Group has in place established internal control processes to ensure that the evaluation of costs and revenues are based upon appropriate estimates.

Impairment of goodwill
The determination of the impairment of goodwill of the housebuilding business requires an estimation of the value-in-use of the housebuilding cash-generating unit as defined in note 10. The value-in-use calculation requires an estimate of the future cash flows expected from the housebuilding business, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is one applicable to the existing capital structure of the Group at the balance sheet date. The carrying amount of goodwill at 30 June 2010 was £792.2m with no impairment recognised during the year ended 30 June 2010.

Impairment of brands
The determination of the impairment calculation for the Group's indefinite life brand, David Wilson Homes, requires an estimation of the value-in-use of the brand. The value-in-use calculation requires an estimate of the future cash flows expected from this brand, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is one applicable to the existing capital structure which may impact on the

Group's discount rate in future periods. The carrying amount of indefinite life brands at 30 June 2010 was £100.0m with no impairment recognised during the year ended 30 June 2010.

Deferred tax assets
At 30 June 2010 the Group recognised a net deferred tax asset of £173.3m. £176.7m related to losses that arose during the year and preceding year that are to be carried forward and relieved against profits arising in future periods. The judgement to recognise the deferred tax asset is dependent upon the Group's expectations regarding future profitability based upon site revenue and cost forecasts for future years which contain a degree of inherent uncertainty.

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

Hedge accounting
The majority of the Group's facilities are floating rate, which exposes the Group to increased interest rate risk. The Group has therefore taken out £480.0m (note 14) of floating-to-fixed interest rate swaps. The Group has adopted hedge accounting for these swaps on the basis that it is highly probable that there is sufficient forecast debt to match with the period of swaps. If the highly probable criterion was not met in future then any changes in fair value of the swaps would be recognised in the income statement, rather than in equity. During the year ended 30 June 2010, there was a loss of £31.2m (2009: £81.0m) included in equity related to these swaps. Swaps with a notional amount of £285.0m were cancelled during the half year ended 31 December 2009 following prepayment of part of the Group's sterling borrowings from the net proceeds of the Placing and the Rights Issue. Cumulative losses on interest rate swaps of £47.1m were recognised in the income statement following these cancellations.

In addition, the Group has entered into $187.2m (2009: $271.6m) of cross currency swaps to manage the cash flow risks related to foreign exchange, arising from the Group's sources of US Dollar denominated finance. These swaps are designated as a cash flow hedge against future foreign exchange rate movements. If the hedges ceased to be highly effective then any changes in fair value of the swaps would be recognised in the income statement, rather than equity. During the year ended 30 June 2010, there was a gain of £13.6m (2009: £30.3m) included in equity related to these swaps. A gain of £11.9m (2009: £7.2m) was realised upon cancellation of $103.9m of foreign exchange swaps following repayment of $103.9m US Dollar private placement notes on 16 November 2009.

Available for sale financial assets
The Group holds available for sale financial assets principally comprising interest free loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property. The loans are held at the present value of expected future cash flows taking into account the estimated market value of the property at the estimated time of repayment. At 30 June 2010 the asset recognised on the balance sheet was £136.3m (2009: £86.5m).

5. Segmental analysis

The Group consists of two separate segments for management reporting and control purposes, being housebuilding and commercial developments. The segments are considered appropriate for reporting under IFRS8 'Operating Segments' since these segments are regularly reviewed internally by the Group Board without further significant categorisation. The Group presents its primary segment information on the basis of these operating segments. As the Group operates in a single geographic market, Britain, no secondary segmentation is provided.

	Housebuilding	Commercial developments	2010 Total	Housebuilding	Commercial developments	2009 (restated*) Total
	Units	**Units**	**Units**	Units	Units	Units
Residential completions	**11,325**	**-**	**11,325**	13,202	-	13,202
Income statement	**£m**	**£m**	**£m**	£m	£m	£m
Revenue	**2,000.1**	**35.1**	**2,035.2**	2,095.8	189.4	2,285.2
Cost of sales before impairment of inventories	**(1,819.9)**	**(30.5)**	**(1,850.4)**	(1,970.6)	(185.2)	(2,155.8)
Gross profit before impairment of inventories	**180.2**	**4.6**	**184.8**	125.2	4.2	129.4
Administrative expenses before restructuring costs and pension curtailment	**(88.8)**	**(5.9)**	**(94.7)**	(86.4)	(8.8)	(95.2)
Profit/(loss) from operations before impairment of inventories, restructuring costs and pension curtailment	**91.4**	**(1.3)**	**90.1**	38.8	(4.6)	34.2
Net impairment of inventories	**-**	**(4.8)**	**(4.8)**	(431.5)	(68.0)	(499.5)
Restructuring costs and pension curtailment	**(11.0)**	**-**	**(11.0)**	(14.9)	(5.1)	(20.0)
Profit/(loss) from operations	**80.4**	**(6.1)**	**74.3**	(407.6)	(77.7)	(485.3)
Share of post-tax loss from joint ventures	**(0.9)**	**(0.6)**	**(1.5)**	(3.0)	-	(3.0)
Profit/(loss) from operations including post-tax loss from joint ventures	**79.5**	**(6.7)**	**72.8**	(410.6)	(77.7)	(488.3)
Finance income			**13.4**			18.0
Finance costs – non exceptional			**(135.0)**			(195.3)
Finance costs – exceptional			**(114.1)**			(13.3)
Loss before tax			**(162.9)**			(678.9)
Tax			**44.5**			210.3
Loss for the year from continuing operations			**(118.4)**			(468.6)

Balance sheet	Housebuilding £m	Commercial developments £m	2010 Total £m	Housebuilding £m	Commercial developments £m	2009 Total £m
Segment assets	**4,531.5**	**126.6**	**4,658.1**	4,625.3	173.9	4,799.2
Elimination of intercompany balances			**(101.1)**			(111.7)
			4,557.0			4,687.5
Deferred tax assets			**173.3**			127.3
Current tax assets			**-**			50.6
Cash and cash equivalents			**546.5**			178.8
Consolidated total assets			**5,276.8**			5,044.2
Segment liabilities	**(1,473.4)**	**(59.7)**	**(1,533.1)**	(1,272.9)	(67.3)	(1,340.2)
Elimination of intercompany balances			**101.1**			111.7
			(1,432.0)			(1,228.5)
Loans and borrowings			**(941.8)**			(1,484.1)
Current tax liabilities			**(2.8)**			-
Consolidated total liabilities			**(2,376.6)**			(2,712.6)
Other information	**£m**	**£m**	**£m**	£m	£m	£m
Capital additions	**0.4**	**-**	**0.4**	2.1	-	2.1
Depreciation	**3.5**	**0.1**	**3.6**	5.0	0.1	5.1

* Additional disclosures have been provided for the year ended 30 June 2009 for consistency of presentation with the year ended 30 June 2010.

6. Exceptional items

Amended financing arrangements

On 23 September 2009 the Company announced a fully underwritten Placing and Rights Issue, raising gross proceeds of £720.5m, and certain amendments agreed in relation to the Group's financing arrangements which would come into effect following completion of the Placing and Rights Issue and a reduction in the amount of term debt. The equity issue was completed on 4 November 2009 and the amended financing facilities came into effect on 16 November 2009.

As a consequence of amending its financing arrangements, as described in note 13, the Company incurred various fees, costs and other expenses. The amendment and other fees and costs were £24.2m, with £6.7m being charged to the income statement during the year and £17.5m being amortised over the life of the amended facilities.

As a consequence of the part prepayment of the WB Acquisition Facilities, the Company made prepayment offers to each of the private placement noteholders, including make-whole amounts in respect of the private placement notes which were the subject of the prepayment offer. The noteholders had the option to receive a cash payment in satisfaction of the make-whole obligation instead of make-whole notes. Cash payments in respect of the make-whole amounts of £4.9m were made to certain noteholders and make-whole notes of £19.0m were issued to the remaining noteholders. The total charge recognised in the income statement in relation to the make-whole payments and notes was £23.9m.

Interest rate swaps and foreign exchange swaps with contracted amounts of £285.0m and £51.5m respectively were cancelled during the year ended 30 June 2010 following the Placing and the Rights Issue and prepayment of part of the Group's borrowings. Cumulative losses on interest rate swaps of £50.1m were recognised in the income statement following these cancellations. Interest incurred on the cancelled swaps from the date of the General Meeting to approve the Placing and the Rights Issue up to the date of settlement amounted to £1.7m. Cancellation costs on foreign exchange swaps amounted to £0.9m.

The remaining balance of unamortised costs of £31.0m in respect of the amendments to the Group's financing arrangements in 2008 (the '2008 financing amendments') was charged to the income statement when the amended financing arrangements agreed in September 2009 in conjunction with the Placing and the Rights Issue became effective on 16 November 2009, as the terms of the 2009 amended financing arrangements which became effective on 16 November 2009 were substantially different from the 2008 financing amendments, primarily due to the revised covenant arrangements and certain new maturity dates and margins. The remaining fair value uplift of £0.2m in respect of the private placement notes was also credited to the income statement on 16 November 2009.

The total income statement charge in the year relating to the amended financing arrangements was £114.1m.

During the year ended 30 June 2009, the Group incurred charges of £13.3m in respect of the make-whole fee which was triggered on the redemption of £36.7m of private placement notes.

Impairment of inventories

During the year the Group reviewed the net realisable value of its land and work in progress carrying-values of its sites. This resulted in no further impairment of the housebuilding business (2009: £431.5m) and an impairment of £4.8m (2009: £499.5m) relating to the commercial developments business. The total net impairment for the year was £4.8m (2009: £499.5m). Further details are provided in note 12.

Restructuring costs

During the year ended 30 June 2010, the Group incurred £11.0m (2009: £27.1m) of costs in relation to reorganising and restructuring the business, including redundancy costs of £0.6m (2009: £17.6m).

Pension curtailment

No curtailment credit was recognised during the year (2009: £7.1m) in relation to the Group's defined benefit pension scheme. Further details are given in note 16.

Impairment of inventories relating to investments accounted for using the equity method

At 30 June 2010, the Group conducted an impairment review of its share of the inventories included within its investments accounted for using the equity method. This resulted in no impairment charge for the year (2009: £2.8m) with no related deferred tax credit (2009: £0.8m).

7. Net finance costs

Recognised in the income statement	2010 £m	2009 £m
Finance income on short-term bank deposits	**(0.5)**	(0.9)
Imputed interest on available for sale financial assets	**(7.0)**	(11.2)
Other interest receivable	**(5.9)**	(5.9)
Finance income	**(13.4)**	(18.0)
Interest on bank overdrafts and loans	**63.7**	141.8
Amortisation of losses on cancelled interest rate swaps	**0.2**	0.4
Imputed interest on deferred term land payables	**26.5**	19.8
Finance costs related to employee benefits	**1.6**	0.3
Transfer to/(from) equity on cash flow hedges	**14.1**	(21.7)
Foreign exchange loss on US Dollar debt	**11.9**	33.8
Amortisation of facility fees	**9.4**	17.4
Imputed interest on Kickstart equity funding	**0.2**	-
Other interest payable	**7.4**	3.5
Finance costs before exceptional items	**135.0**	195.3
Net finance costs before exceptional items	**121.6**	177.3
Exceptional finance costs		
Make-whole fee on redemption of private placement notes	**23.9**	13.3
Hedging termination costs	**52.7**	-
Write-off of previous facility unamortised fees	**31.0**	-
Other fees related to amendment of financing arrangements	**6.5**	-
Exceptional finance costs	**114.1**	13.3
Total finance costs	**249.1**	208.6
Net finance costs	**235.7**	190.6

8. Tax

Analysis of the tax credit for the year	2010 £m	2009 £m
Current tax		
UK corporation tax on losses for the year	**-**	(43.6)
Adjustment in respect of previous years	**(0.4)**	(37.7)
	(0.4)	(81.3)
Deferred tax		
Origination and reversal of temporary differences	**(46.0)**	(148.0)
Adjustment in respect of previous years	**1.9**	19.0
	(44.1)	(129.0)
Tax credit for the year	**(44.5)**	(210.3)

In addition to the amount credited to the income statement, deferred tax of £1.9m (2009: £27.8m) was credited directly to equity.

Factors affecting the tax credit for the year

The tax rate assessed for the year is lower (2009: higher) than the standard rate of corporation tax in the UK of 28.0% (2009: 28.0%). The differences are explained below:

	2010 £m	2009 £m
Loss before tax	**(162.9)**	(678.9)
Loss before tax multiplied by the standard rate of corporation tax of 28.0% (2009: 28.0%)	**(45.6)**	(190.1)
Effects of:		
Other expenses not deductible for tax purposes	**1.3**	2.1
Additional tax relief for land remediation costs	**(1.6)**	(2.7)
Adjustment in respect of previous years	**1.5**	(18.7)
Tax in respect of joint ventures	**0.4**	0.8
Tax rate difference on losses carried back	**-**	(2.2)
Tax on share-based payments	**(0.5)**	0.5
Tax credit for the year	**(44.5)**	(210.3)

June 2010 Budget announcements
A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014.

The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. If it had been enacted at the balance sheet date, the effect of the reduction in the corporation tax rate from 28% to 27% contained in the Finance (No 2) Act 2010, would be to reduce the deferred tax asset recognised at 30 June 2010 by approximately £6.2m.

The proposed reductions of the main rate of corporation tax by 1% per year to 24% by 1 April 2014 are expected to be enacted separately each year. If the deferred tax assets and liabilities of the Group were all to reverse after 2014, the effect of the changes from 28% to 24% would be to reduce the net deferred tax asset by £24.8m. To the extent that the deferred tax reverses more quickly than this, the impact on the net deferred tax asset will be reduced.

9. Loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary shareholders of £118.4m (2009: £468.6m) by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust which are treated as cancelled, which was 815.9m (2009: 526.1m (restated*)).

There is no difference between basic and diluted loss per share for the Group as the Group was loss making.

The losses per share from continuing operations were as follows:

	2010 **pence**	2009 (restated*) pence
Basic and diluted loss per share	**(14.5)**	(89.1)
Adjusted basic and diluted loss per share	**(2.9)**	(15.6)

The calculation of basic, diluted, adjusted basic and adjusted diluted loss per share is based upon the following data:

	2010 **£m**	**2010** **pence**	2009 £m	2009 (restated*) pence
Loss for basic and diluted loss per share	**(118.4)**	**(14.5)**	(468.6)	(89.1)
Add: exceptional finance costs	**114.1**	**14.0**	13.3	2.5
Add: impairment of inventories	**4.8**	**0.6**	499.5	95.0
Add: restructuring costs and pension curtailment gain	**11.0**	**1.3**	20.0	3.8
Less: tax effect of above items	**(35.4)**	**(4.3)**	(148.3)	(28.2)
Add: post-tax impairment of inventories relating to investments accounted for using the equity method	**-**	**-**	2.0	0.4
Loss for adjusted basic and adjusted diluted loss per share	**(23.9)**	**(2.9)**	(82.1)	(15.6)

*The number of shares in issue has been revised to reflect the Rights Issue as required by IAS33 'Earnings per Share' which has adjusted the loss per share.

Losses are adjusted, removing exceptional finance costs, impairment of inventories, restructuring costs and pension curtailment gain and the related tax to reflect the Group's underlying losses.

10. Goodwill

	2010 **£m**	2009 £m
Cost		
At 30 June and 1 July	**816.7**	816.7
Accumulated impairment losses		
At 30 June and 1 July	**24.5**	24.5
Carrying amount		
At 30 June and 1 July	**792.2**	792.2

The Group's goodwill has a carrying-value of £792.2m related to the housebuilding segment. The goodwill relating to the commercial developments segment, with cost of £24.5m, was fully impaired in the year ended 30 June 2008.

The Group conducts an annual impairment review of goodwill and intangibles together for both the housebuilding and commercial developments segments. The impairment review was performed at 30 June 2010 and compared the value-in-use of the housebuilding segment with the carrying-value of its tangible and intangible assets and allocated goodwill. The Group allocates any identified impairment first to goodwill and then to assets on a pro-rata basis, which in the case of the Group is its intangible assets and property, plant and equipment.

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

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

- Discount rate: this is a pre-tax rate reflecting current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Accordingly the rate of 11.3% (2009: 8.9%) is considered by the Directors to be the appropriate pre-tax risk adjusted discount rate being the Group's estimated long-term pre-tax weighted average cost of capital. This rate is calculated using the current capital structure of the Group at the balance sheet date.
- Expected changes in selling prices for completed houses and the related impact upon operating margin: these are determined on a site-by-site basis for the first three years dependent upon local market conditions and product type. For years four and five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.
- Sales volumes: these are determined on a site-by-site basis for the first three years dependent upon local market conditions, land availability and planning permissions. For years four and five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.
- Expected changes in site costs to complete: these are determined on a site-by-site basis for the first three years dependent upon the expected costs of completing all aspects of each individual development including any additional costs that are expected to occur due to the business being on an individual development site for longer due to current market conditions. For years four and five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.

The conclusion of this impairment review was that the Group's goodwill related to the housebuilding segment was not impaired.

The impairment review of goodwill and intangible assets at 30 June 2010 was based upon current expectations regarding sales volumes, expected changes in selling prices and site costs to complete in the uncertain conditions within the UK housing market and used a discount rate considered appropriate to the position and risks of the Group. The result of the impairment review, which was based upon the capital structure of the Group at the balance sheet date, was that the recoverable value of goodwill and intangible

assets exceeded its carrying-value by £707.5m (2009: £2,932.7m). If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reducing by 2.3% per annum (2009: 7.8% per annum) or the appropriate discount rate were to increase by 1.5% (2009: 4.7%) and all other variables were held constant then the recoverable value of goodwill and intangible assets would equal its carrying-value.

11. Available for sale financial assets

	2010	2009
	£m	£m
At 1 July	**86.5**	66.9
Additions	**52.2**	33.8
Disposals	**(3.3)**	(1.7)
Imputed interest	**7.0**	11.2
Net impairment taken through income statement	**(6.1)**	(23.7)
	136.3	86.5

Available for sale financial assets principally comprise interest free loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property. These loans are held at the present value of expected future cash flows taking into account the estimated market value of the property at the estimated time of repayment. The income statement includes a net impairment of £6.1m (2009: £23.7m) in cost of sales.

The impairment of available for sale financial assets arises due to the impact on the fair value of these assets of the decline in UK house prices.

12. Inventories

	2010	2009
	£m	£m
Land held for development	**2,308.7**	2,453.2
Construction work in progress	**981.4**	1,044.2
Part-exchange properties	**47.6**	36.7
Other inventories	**4.6**	6.7
	3,342.3	3,540.8

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

b) Impairment of inventories
At 30 June 2010 the Group reviewed the net realisable value of its land and work in progress carrying-values of its sites. The impairment review compared the estimated future net present realisable value of development sites with their balance sheet carrying-value. This review resulted in no impairment charge for the housebuilding business (2009: £431.5m), although there were gross impairment reversals and charges of £57.4m due to performance variances upon housebuilding sites (2009: £120.9m). There was an impairment of £4.8m for the commercial developments business (2009: £68.0m), leading to a total net impairment during the year of £4.8m (2009: £499.5m).

The key judgements in estimating the realisable value of a site were the estimation of likely sales prices and estimated costs to complete. Sales prices were estimated on a site-by-site basis based upon local market conditions and took into account the current prices being achieved upon each site for each product type. In addition, the estimation of future sales prices included an allowance on a site-by-site basis for low single digit sales price inflation in future periods. The estimation of costs to complete also included an allowance for low single digit build costs inflation in future periods.

Whilst the UK housing market has seen some recovery during the year, if it were to change beyond management expectations in the future, in particular with regards to the assumptions around likely sales prices and estimated costs to complete, then further adjustments to the carrying-value of land and work in progress may be required.

Following these impairments £1,208.1m (2009: £1,460.5m) of inventories are valued at fair value less costs to sell rather than at historical cost.

c) Expensed inventories
The value of inventories expensed in 2010 and included in cost of sales was £1,735.2m (2009: £2,009.8m) including £13.0m (2009: £20.8m) of inventory write-downs incurred in the course of normal trading and a reversal of £1.9m (2009: £nil) on inventories that were written down in a previous accounting period, but excluding the £4.8m (2009: £499.5m) exceptional impairment.

During the year, average selling prices across the Group's developments were in-line with those incorporated into the impairment review at 30 June 2009 and therefore overall no further impairment was required in the housebuilding business, although there were gross impairment reversals and charges of £57.4m due to performance variances upon housebuilding sites.

The value of inventories written down and recognised as an expense in 2010 totalled £17.8m (2009: £520.3m), being the £4.8m (2009: £499.5m) classified as an exceptional cost and the remaining £13.0m (2009: £20.8m) incurred in the normal course of trading.

13. Loans and borrowings

a) Net debt
Net debt at the year end is shown below:

	2010 £m	2009 £m
Cash and cash equivalents	**546.5**	178.8
Non-current borrowings		
Bank loans	**(726.9)**	(1,200.9)
Private placement notes	**(191.7)**	(274.7)
Total non-current borrowings	**(918.6)**	(1,475.6)
Current borrowings		
Bank overdrafts	**-**	(7.4)
Loan notes	**(0.3)**	(1.1)
Private placement notes	**(11.2)**	-
Kickstart equity funding	**(11.7)**	-
Total current borrowings	**(23.2)**	(8.5)
Total borrowings	**(941.8)**	(1,484.1)
Derivative financial instruments		
Foreign exchange swaps	**28.4**	28.4
Net debt	**(366.9)**	(1,276.9)

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. Net debt is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps. The Group includes foreign exchange swaps within net debt as these swaps were entered into to hedge the foreign exchange exposure upon the Group's US Dollar denominated private placement notes. The Group's foreign exchange swaps have both an interest rate and an exchange rate element and only the exchange rate element on the notional amount of the swap is included within the net debt note above.

	2010 £m	2009 £m
Foreign exchange swap – exchange rate element	**28.4**	28.4
Foreign exchange swap – interest rate element	**3.8**	2.1
	32.2	30.5
Interest rate swaps	**(71.9)**	(87.8)
Net derivative financial instruments	**(39.7)**	(57.3)

b) Drawn debt facilities

The drawn debt at 30 June comprises:

	2010 £m	2009 £m
Non-current		
Bank loans	**726.9**	1,200.9
Private placement notes	**191.7**	274.7
Total non-current borrowings	**918.6**	1,475.6
Current		
Bank overdrafts	**-**	7.4
Loan notes	**0.3**	1.1
Private placement notes	**11.2**	-
Kickstart funding	**11.7**	-
Total current borrowings	**23.2**	8.5
Total borrowings	**941.8**	1,484.1

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

	2010 %	2009 %
Bank loans net of swap interest	**8.1**	8.9
Loan notes	**2.0**	7.8
Private placement notes	**11.6**	11.7

The principal features of the Group's drawn debt facilities at 30 June 2010 were as follows:

i) Committed facilities

- A committed £740.5m five-year revolving credit facility of which £740.5m was drawn at 30 June 2010, made available under a credit agreement dated 5 February 2007 (as amended from time to time including in August 2008 and most recently with effect from 16 November 2009). As part of the August 2008 amendments, the revolving credit facility was fully drawn and now effectively operates as a term facility. The maturity date on this debt is 26 April 2012. On 16 November 2009, £9.5m of the facility was prepaid and the relevant proportion of the facility cancelled.
- A committed £350.0m three-year revolving credit facility of which £nil was drawn at 30 June 2010, made available under a facility agreement dated 2 February 2005 (as amended from time to time and most recently with effect from 16 November 2009). The maturity date on this debt is 16 November 2012.
- A committed £350.0m three-year revolving credit facility of which £nil was drawn at 30 June 2010, made available under a facility agreement dated 9 July 2008 (as amended from time to time and most recently with effect from 16 November 2009). The maturity date on this debt is 16 November 2012.

The Group suspended dividend payments in June 2008 as part of its cash conservation policy. The Board remains focused on strengthening the balance sheet and conserving cash. In addition, the terms of the Group's financing arrangements also impose restrictions on the declaration and payment of dividends in respect of the financial year ended 30 June 2010. The Board is committed to reinstating the payment of dividends and will do so when it becomes appropriate and permissible to do so.

ii) Fixed rate Sterling private placement notes

- The Group has £77.8m of fixed rate Sterling private placement notes, £11.2m expire on 15 October 2010. The remaining £66.6m of fixed rate Sterling private placement notes expire between 23 April 2018 and 23 April 2020. At 30 June 2009, there were £114.2m of fixed rate Sterling private placement notes but on 16 November 2009, the Company repaid £43.4m of fixed rate Sterling private placement notes and issued £7.3m of fixed rate Sterling private placement notes due to the make-whole clause within each of these agreements which was triggered on repayment. At 30 June 2009 the fixed rate Sterling private placement notes had a fair value uplift of £0.3m. During the year £0.1m of the fair value uplift was credited to the income statement and the remaining £0.2m was credited to the income statement within exceptional items.

iii) Fixed rate US Dollar private placement notes

- US Dollar ten-year private placement notes of $42.6m issued pursuant to a note purchase agreement dated 23 April 2008 and as amended from time to time and most recently with effect from 16 November 2009. At 30 June 2009, there were $59.8m US Dollar ten-year private placement notes but on 16 November 2009, the Company repaid $22.5m of US Dollar ten-year private placement notes and issued $5.3m of US Dollar ten-year private placement notes due to the make-whole clause within these agreements which was triggered on repayment.
- US Dollar five-year private placement notes of $20.6m issued pursuant to a note purchase agreement dated 23 April 2008 and as amended from time to time and most recently with effect from 16 November 2009. At 30 June 2009, there were $31.3m of US Dollar five-year private placement notes but on 16 November 2009, the Company repaid $12.1m of US Dollar five-year private placement notes and issued $1.4m of US Dollar five-year private placement notes due to the make-whole clause within these agreements which was triggered on repayment.
- US Dollar ten-year private placement notes of $124.0m issued pursuant to a note purchase agreement dated 23 August 2007 and as amended from time to time and most recently with effect from 16 November 2009. At 30 June 2009, there were $180.5m of US Dollar ten-year private placement notes but on 16 November 2009, the Company repaid $69.3m of US Dollar ten-year private placement notes and issued $12.8m of US Dollar ten-year private placement notes due to the make-whole clause within these agreements which was triggered on repayment.

iv) Floating rate Sterling loan notes

The Group had £0.3m (2009: £1.1m) Sterling loan notes at 30 June 2010 having repaid £0.7m on that date and £0.1m on 31 December 2009. These loan notes are repayable at 30 June or 31 December each year at the option of the noteholder or, to the extent not previously repaid, are due in December 2012, and are subject to floating rates of interest linked to LIBOR. Following the Placing and the Rights Issue £0.3m of cash is held in a secured bank account which supports the Group's obligation to repay any amounts which the noteholder may claim under that guarantee.

v) Bank overdrafts and uncommitted money market facilities

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

All debt is unsecured.

14. Derivative financial instruments - swaps

The Group has entered into derivative financial instruments to manage interest rate and foreign exchange risks as explained in note 15. The Group does not enter into any derivatives for speculative purposes.

		2010		2009
	Asset	**Liability**	Asset	Liability
	£m	**£m**	£m	£m
Designated as cash flow hedges				
Non-current				
Interest rate swaps	**-**	**(71.9)**	-	(87.8)
Foreign exchange swaps	**32.7**	**(0.5)**	31.9	(1.4)
Total derivative financial instruments	**32.7**	**(72.4)**	31.9	(89.2)

a) Interest rate swaps

The Group enters into derivative transactions in the form of swap arrangements to manage the cash flow risks, related to interest rates, arising from the Group's sources of finance. All of the Group's interest rate swap arrangements contain a clause that allows the Group or the issuer to cancel the swap in May 2012 at fair value.

As at 30 June 2010 the Group had outstanding net floating rate Sterling debt and overdrafts of £727.2m (2009: £1,209.4m). In obtaining this funding the Group sought to achieve certainty as to both the availability of, and income statement charge related to, a designated proportion of anticipated future debt requirements.

The Group has entered into swap arrangements to swap £480.0m (2009: £765.0m) of this debt into fixed rate Sterling debt in accordance with the Group treasury policy outlined in note 15. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

Amount £m	Fixed rate payable %	Maturity
142.5	5.79	2012
50.0	5.80	2012
60.0	5.94	2017
60.0	5.99	2017
32.5	5.64	2017
60.0	5.75	2022
75.0	5.44	2022
480.0		

The swap arrangements are designated as a cash flow hedge against future interest rate movements. The fair value of the swap arrangements as at 30 June 2010, which is based on third party valuations, was a liability of £71.9m (2009: £87.8m) with a loss of £31.2m (2009: £81.0m) charged directly to equity in the year. There was no ineffectiveness to be taken through the income statement during the year or the prior year.

Swaps with a notional amount of £285.0m were cancelled during the year following the Placing and the Rights Issue and prepayment of part of the Group's Sterling borrowings. Cumulative losses on interest rate swaps of £47.1m were recognised in exceptional finance costs in the income statement following these cancellations. Swaps with a notional amount of £95.0m were cancelled during the year ended 30 June 2008. Cumulative losses on these swaps of £3.0m, previously deferred in equity, have been recognised in exceptional finance costs in the income statement, as the forecast transaction specified in the hedge relationship is no longer expected to occur.

b) Basis rate swaps

During the previous year, the Group entered into £400.0m of six-month basis rate swaps to swap the interest payable upon some of the Group's borrowings from six-month LIBOR to one-month LIBOR plus a premium. These swaps reduced the cash interest payable by the Group by £1.4m over the six-month life. There were no basis rate swaps outstanding as at 30 June 2009 or 30 June 2010.

c) Foreign exchange swaps

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

As at 30 June 2010 the Group had outstanding fixed rate US Dollar loan notes of $187.2m (2009: $271.6m).

The Group has entered into swap arrangements to swap all of this debt into fixed rate Sterling debt in accordance with the Group treasury policy outlined in note 15. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

Amount $m	Fixed rate payable %	Maturity
18.2	8.98	2013
1.0	10.95	2013
1.4	10.78	2013
103.7	6.61	2017
7.5	10.55	2017
12.8	9.75	2017
33.7	9.24	2018
3.6	12.23	2018
5.3	11.37	2018
187.2		

The swap arrangements are designated as cash flow hedges against future foreign exchange rate movements. The hedges match the contractual initial receipt, the final settlement, and as a result of refinancing on 9 July 2008 match 76% of the interest payments. The fair value of the swap arrangements as at 30 June 2010, which is based on third party valuations, was an asset of £32.2m (2009: £30.5m) with a gain of £13.6m (2009: £30.3m) credited directly to equity in the year.

A gain of £11.9m (2009: £7.2m) was realised upon cancellation of $103.9m (2009: $40.5m) of foreign exchange swaps following repayment of $103.9m (2009: $40.5m) US Dollar private placement notes on 16 November 2009 (2009: 12 January 2009). In addition the Group made a realised foreign exchange loss of £11.9m (2009: £7.2m) upon its US Dollar private placement notes.

There was no ineffectiveness to be taken through the income statement during the year or the prior year.

15. Financial risk management

The Group's operations and financing arrangements expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risks, liquidity risks and interest rates. The most significant of these to the Group is liquidity risk and, accordingly, there is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management with the goal of ensuring that risks are promptly identified and appropriate mitigating actions taken by the central treasury department. These forecasts are further stress tested at a Group level on a regular basis to ensure that adequate headroom within facilities and banking covenants is maintained. In addition, the Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance, in particular by using financial instruments, including debt and derivatives, to hedge interest rates and currency rates. The Group does not use derivative financial instruments for speculative purposes.

The Board approves treasury policies and certain day-to-day treasury activities 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.

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April and May, and October and November, of each year, due to seasonal trends in income. Accordingly the Group maintains sufficient facility headroom to cover these requirements. On a normal operating basis the Group has a policy of maintaining headroom of up to £250.0m. The Group identifies and takes appropriate actions based upon its regular, detailed system for the reporting and forecasting of cash flows from its operations. At 30 June 2010, the Group had committed bank facilities of £1,615.3m (2009: £2,284.4m) and total facilities of £1,676.5m (2009: £2,360.6m). At 30 June 2010, the Group's debt drawn against these facilities was £930.1m (2009: £1,484.1m). This represented 57.6% of available committed facilities at 30 June 2010 (2009: 65.0%). In addition, the Group had £546.5m (2009: £178.8m) of cash.

The Group was in compliance with its financial covenants at 30 June 2010. At the date of approval of the financial statements the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future being at least twelve months from the date of signing the financial statements. Compliance with covenants is also considered in note 2.

The Group's objective is to minimise refinancing risk. The Group therefore has a policy that the average maturity of its committed bank facilities and private placement notes is at least two years on average with a target of three years. At 30 June 2010, the average maturity of the Group's committed facilities was 2.6 years (2009: 3.1 years).

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

Expiry date	2010 £m	2009 £m
In less than one year	**-**	50.0
In more than one year but not more than two years	**-**	-
In more than two years but not more than five years	**700.0**	750.0
	700.0	800.0

In addition, the Group had £61.2m of undrawn uncommitted facilities available at 30 June 2010 (2009: £68.8m).

b) Market risk (price risk)
i) UK housing market risk
This section specifically discusses UK housing market risk in the context of the financial instruments in the Group balance sheet.

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. However, the Group does seek to maintain an appropriate geographic spread of operating divisions and an appropriate product mix to mitigate any risks caused by local economic conditions. The Group has detailed procedures to manage its market related operational risks which include:

- a weekly review of key trading indicators, including reservations, sales rates, visitor levels, levels of incentives, competitor activity and cash flow projections;
- the provision to mortgage providers with complete transparency of house purchase prices alongside any discounts or other incentives in order that they have appropriate information upon which to base their lending decision; and
- collaboration with key mortgage lenders to ensure that products are appropriate wherever possible for its customers.

The UK housing market affects the valuation of the Group's non-financial assets and liabilities and the critical judgements applied by management in these financial statements, including the valuation of land and work in progress, goodwill and brands.

The Group's financial assets and liabilities that are directly linked to the UK housing market are as follows:

	Linked to UK housing market £m	Not linked to UK housing market £m	Total £m
30 June 2010			
Non-derivative financial assets	**136.3**	**582.4**	**718.7**
Non-derivative financial liabilities	**-**	**(2,036.6)**	**(2,036.6)**
Derivatives	**-**	**(39.7)**	**(39.7)**
	136.3	**(1,493.9)**	**(1,357.6)**
30 June 2009			
Non-derivative financial assets	86.5	195.3	281.8
Non-derivative financial liabilities	-	(2,369.8)	(2,369.8)
Derivatives	-	(57.3)	(57.3)
	86.5	(2,231.8)	(2,145.3)

The value of the Group's available for sale financial assets is directly linked to the UK housing market. At 30 June 2010 these assets were carried at a fair value of £136.3m (2008: £86.5m).

Sensitivity analysis
At 30 June 2010, if UK house prices had been 5% lower and all other variables were held constant, the Group's house price linked financial assets and liabilities, which are solely available for sale financial assets, would decrease in value, excluding the effects of tax, by £5.2m (2009: £6.2m) with a corresponding reduction in both the result for the year and equity.

ii) 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 policy of maintaining both long-term fixed rate funding and medium-term floating rate funding so as to ensure that there is appropriate flexibility for the Group's operational requirements. The Group has entered into swap arrangements to hedge cash flow risks relating to interest rate movements on a proportion of its debt and has entered into fixed rate debt in the form of Sterling and US Dollar denominated private placements.

The Group has a policy that 60%–80% of the Group's median gross borrowings calculated on the latest three-year plan (taking into account hedging) is at a fixed rate, with an average minimum duration of five years and an average maximum duration of fifteen years. At 30 June 2010, 70.4% (2009: 68.4%) of the Group's borrowings was at a fixed rate.

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

	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
30 June 2010				
Financial liabilities (excluding derivatives)	**727.2**	**202.9**	**1,106.5**	**2,036.6**
Impact of interest rate swaps	**(480.0)**	**480.0**	**-**	**-**
Financial liability exposure to interest rate risk	**247.2**	**682.9**	**1,106.5**	**2,036.6**
30 June 2009				
Financial liabilities (excluding derivatives)	1,209.4	274.7	885.7	2,369.8
Impact of interest rate swaps	(765.0)	765.0	-	-
Financial liability exposure to interest rate risk	444.4	1,039.7	885.7	2,369.8

Floating interest rates on Sterling borrowings are linked to UK bank rate, LIBOR and money market rates. The floating rates are fixed in advance for periods generally ranging from one to six months. Short-term flexibility is achieved through the use of overdraft, committed and uncommitted bank facilities. The weighted average interest rate for floating rate borrowings in 2010 was 3.2% (2009: 6.6%).

Sterling private placement notes of £77.8m (2009: £114.2m) were arranged at fixed interest rates and exposed the Group to fair value interest rate risk. The weighted average interest rate for fixed rate Sterling private placement notes for 2010 was 11.8% (2009: 11.5%) with, at 30 June 2010, a weighted average period of 7.7 years (2009: 8.5 years) for which the rate is fixed.

US Dollar denominated private placement notes of £125.1m (2009: £164.9m) were arranged at fixed interest rates and exposed the Group to fair value interest rate risk. The weighted average interest rate for fixed rate US Dollar denominated private placement notes, after the effect of foreign exchange rate swaps, for 2010 was 11.2% (2009: 11.0%) with, at 30 June 2010, a weighted average period of 6.8 years (2009: 7.8 years) for which the rate is fixed.

Sensitivity analysis
In the year ended 30 June 2010, if UK interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax loss would increase/decrease by £1.8m (2009: £3.9m), the Group's post-tax loss would increase/decrease by £1.3m (2009: £2.8m) and the Group's equity would decrease/increase by £1.3m (2009: £2.8m).

iii) Foreign exchange rate risk
As at 30 June 2010, the Group has fixed rate US Dollar denominated private placement notes of $187.2m (2009: $271.6m). In order to mitigate risks associated with the movement in the foreign exchange rate, the Group has a policy of fully hedging the principal of its US Dollar denominated debt and a significant proportion of the interest payments. The Group therefore entered into foreign exchange swap arrangements on the issue of its US Dollar denominated debt, all of which are designated as cash flow hedges. Accordingly the Group has no net exposure to foreign currency risk on the principal of its US

Dollar debt. The foreign exchange swaps match 76% of the interest payments and therefore the Group is subject to foreign exchange rate risk upon the remaining 24%.

Details of the Group's foreign exchange swaps are provided in note 13.

Sensitivity analysis
In the year ended 30 June 2010, if the US Dollar per Pound Sterling exchange rate had been $0.20 higher/lower and all other variables were held constant, the Group's pre-tax loss would increase/decrease by £0.4m (2009: £0.7m), the Group's post-tax loss would increase/decrease by £0.3m (2009: £0.5m) and the Group's equity would decrease/increase by £0.3m (2009: £0.5m).

c) Credit risk
In the majority of cases, the Group receives cash upon legal completion for private sales and receives advance stage payments from Registered Social Landlords for social housing. The Group has £136.3m (2009: £86.5m) of available for sale financial assets which expose it to credit risk, although this asset is spread over a large number of properties. As such, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group manages credit risk in the following ways:

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

The maximum exposure to any counterparty at 30 June 2010 was £100.0m of cash on deposit with a financial institution (2009: £31.0m). 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.

d) Capital risk management (cash flow risk)
The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and meet its liabilities as they fall due whilst maintaining an appropriate capital structure.

The Group manages as capital its equity, as set out in the condensed consolidated statement of changes in shareholders' equity, its bank borrowings (being overdrafts, loan notes and bank loans) and its private placement notes, as set out in note 13.

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. The management of these operational risks is set out in the Principal risks and uncertainties (note 23).

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

16. Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

Defined contribution schemes

Contributions during the year	**2010** **£m**	2009 £m
Group defined contribution schemes consolidated income statement charge	**6.5**	3.9

At the balance sheet date there were outstanding contributions of £0.2m (2009: £0.2m), which were paid on or before the due date.

Defined benefit scheme
The Group operates a funded defined benefit pension scheme in the United Kingdom, the Barratt Group Pension & Life Assurance Scheme (the 'Scheme') which is closed to new entrants. With effect from 30 June 2009, the Scheme ceased to offer future accrual of defined benefit pensions for current employees and the link between accrued benefits and future salary increases was removed. This decision was taken following a detailed consultation process with the Trustees and employee members of the Scheme. Alternative defined contribution pension arrangements are in place for current employees.

A full actuarial valuation was carried out at 30 November 2007 and updated to 30 June 2010 by a qualified independent actuary. The projected unit method has been used to calculate the current service cost. Due to the Scheme ceasing to offer future accrual of defined benefit pensions to employees from 30 June 2009, there is no current service cost in the year or in future years. Following the completion of the Scheme triennial actuarial valuation for funding purposes, the Group has agreed to make future contributions to the Scheme, in addition to the normal contribution payment, of £13.3m per annum until 30 November 2015 to address the Scheme's deficit and the Group will also meet the Scheme's administration expenses, death in service premiums and Pension Protection Fund levy. The next triennial actuarial valuation for funding purposes is due with effect from 30 November 2010. At the balance sheet date there were outstanding contributions of £1.1m (2009: £0.4m).

The assets of the defined benefit scheme have been calculated at fair (bid) value. The liabilities of the Scheme have been calculated at each balance sheet date using the following assumptions:

Principal actuarial assumptions	**2010**	2009
Weighted average assumptions to determine benefit obligations		
Discount rate	**5.40%**	6.30%
Rate of compensation increase	**N/A**	4.40%
Rate of price inflation	**3.20%**	3.40%
Weighted average assumptions to determine net cost		
Discount rate	**6.30%**	6.30%
Expected long-term rate of return on plan assets	**6.31%**	6.82%
Rate of compensation increase	**N/A**	4.70%
Rate of price inflation	**3.40%**	3.70%

Members are assumed to exchange 10% of their pension for cash on retirement.

The assumptions have been chosen by the Group following advice from Mercer Human Resource Consulting Limited, the Group's actuarial advisers.

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

	Male	**Female**
Retired member born in 1935 (life expectancy at age 65)	21.5 years	24.6 years
Non-retired member born in 1965 (life expectancy at age 65)	24.4 years	27.8 years

The base mortality assumptions are based upon the PA92 mortality tables. The Group has carried out a mortality investigation of the Scheme's membership to ensure that this is an appropriate assumption. Allowance for future increases in life expectancy is made in line with the medium cohort projection, with an underpin on the annual rate of improvement in mortality of 1%.

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

Assumption	**Change in assumption**	**Increase in scheme liabilities**
Discount rate	Decrease by 0.1%	£5.1m (2.1%)
Rate of inflation	Increase by 0.1%	£2.6m (1.0%)
Life expectancy	Increase by 1 year	£6.5m (2.6%)

The amounts recognised in the consolidated income statement were as follows:

	2010	2009
	£m	£m
Current service cost	**-**	2.8
Exceptional curtailment gain	**-**	(7.1)
Total pension gain recognised in operating expenses in the consolidated income statement	**-**	(4.3)
Interest cost	**12.4**	12.9
Expected return on scheme assets	**(10.8)**	(12.6)
Total pension cost recognised in finance costs in the consolidated income statement	**1.6**	0.3
Total pension cost/(gain) recognised in the consolidated income statement	**1.6**	(4.0)

The exceptional curtailment gain in the prior year of £7.1m arose in respect of the cessation of future accrual of defined benefit pensions for current employees (and the associated removal of the link between accrued benefits and future salary increases) and redundancies made in the year ended 30 June 2009.

The amounts recognised in the consolidated statement of comprehensive income were as follows:

	2010	2009
	£m	£m
Expected return less actual return on pension scheme assets	**(17.6)**	20.5
Loss/(gain) arising from changes in the assumptions underlying the present value of benefit obligations	**43.9**	(6.4)
Total pension cost recognised in the consolidated statement of comprehensive income	**26.3**	14.1

The amount included in the consolidated balance sheet arising from the Group's obligations in respect of its defined benefit pension scheme is as follows:

	2010	2009
	£m	£m
Present value of funded obligations	**248.3**	201.9
Fair value of scheme assets	**(202.2)**	(170.4)
Deficit for funded scheme/net liability recognised in the consolidated balance sheet at 30 June	**46.1**	31.5

	2010	2009
	£m	£m
Net liability for defined benefit obligations at 1 July	**31.5**	37.2
Contributions received	**(13.3)**	(15.8)
Expense/(gain) recognised in the consolidated income statement	**1.6**	(4.0)
Amounts recognised in the consolidated statement of comprehensive income	**26.3**	14.1
Net liability for defined benefit obligations at 30 June	**46.1**	31.5

A deferred tax asset of £12.9m (2009: £8.8m) has been recognised in the consolidated balance sheet in relation to the pension liability.

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

	2010	2009
	£m	£m
Present value of benefit obligations at 1 July	**201.9**	208.8
Current service cost	**-**	2.8
Exceptional curtailment gain	**-**	(7.1)
Interest cost	**12.4**	12.9
Scheme participants' contributions	**-**	1.6
Actuarial loss/(gain)	**43.9**	(6.4)
Benefits paid from scheme	**(9.9)**	(10.5)
Premiums paid	**-**	(0.2)
Present value of benefit obligations at 30 June	**248.3**	201.9

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

	2010	2009
	£m	£m
Fair value of scheme assets at 1 July	**170.4**	171.6
Expected return on scheme assets	**10.8**	12.6
Actuarial gain/(loss) on scheme assets	**17.6**	(20.5)
Employer contributions	**13.3**	15.8
Scheme participants' contributions	**-**	1.6
Benefits paid from scheme	**(9.9)**	(10.5)
Premiums paid	**-**	(0.2)
Fair value of scheme assets at 30 June	**202.2**	170.4

The analysis of scheme assets and the expected rate of return at the balance sheet date were as follows:

		2010		2009
	Percentage of scheme assets	**Expected return on scheme assets**	Percentage of scheme assets	Expected return on scheme assets
Equity securities	**51.5%**	**7.14%**	50.3%	7.31%
Debt securities	**47.6%**	**4.78%**	49.4%	5.32%
Other	**0.9%**	**0.50%**	0.3%	0.50%
Total	**100.0%**	**5.96%**	100.0%	6.31%

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily Government bonds), the historical level of risk premium associated with other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The actual return on scheme assets was as follows:

	2010	2009
	£m	£m
Actual return on scheme assets	**28.4**	(7.8)

The five-year history of experience adjustments arising on scheme (liabilities)/assets was as follows:

	2010	2009	2008	2007	2006
Present value of defined benefit obligations (£m)	**(248.3)**	(201.9)	(208.8)	(232.8)	(231.8)
Fair value of scheme assets (£m)	**202.2**	170.4	171.6	167.9	141.1
Deficit in the scheme (£m)	**(46.1)**	(31.5)	(37.2)	(64.9)	(90.7)
Experience adjustment in scheme liabilities (£m)	**-**	-	11.4	(13.2)	-
Percentage of scheme liabilities (%)	**-**	-	5.5	(5.7)	-
Experience adjustment in scheme assets (£m)	**17.6**	(20.5)	(17.3)	7.6	8.0
Percentage of scheme assets (%)	**8.7**	(12.0)	(10.1)	4.5	5.7
Amount recognised in the consolidated statement of recognised income and expense (£m)	**26.3**	14.1	(20.1)	(13.4)	-
Percentage of scheme assets (%)	**13.0**	8.3	(11.7)	(8.0)	-

The cumulative amount of actuarial gains and losses since 30 June 2005 recognised in the consolidated statement of comprehensive income is a loss of £6.9m.

The expected employer contribution to the defined benefit pension scheme in the year ending 30 June 2011 is £13.3m.

17. Share capital

	2010 **£m**	2009 £m
Allotted and issued ordinary shares		
10p each fully paid: 965,215,015 ordinary shares (2009: 346,718,019)	**96.5**	34.7

During the year, 7,406,014 options over the Company's shares were granted under the Company's Executive Share Option Scheme and 4,160,038 options were granted under the Senior Management Share Option Plan 2009/2010 and 2,144,435 options were granted under the SAYE Scheme.

During the year, 55,240 shares were issued to satisfy early exercises under the 2009 SAYE Scheme.

On 19 October 2009 the Company issued 72,916,666 new ordinary shares by way of a Placing at 240 pence per share.

On 19 October 2009 the Company provisionally allotted 545,525,090 new ordinary shares in respect of a 1.3 for 1 Rights Issue at a price of 100 pence per share. This allotment was subsequently confirmed on the closing of the Rights Issue.

The Placing and the Rights Issue generated gross proceeds to the Company of £720.5m. After costs of £27.5m the Placing and the Rights Issue generated net proceeds to the Company of £693.0m.

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 3,929,314 (2009: 1,711,046) ordinary shares in the Company. During the year the EBT participated in the Rights Issue and consequently purchased 2,224,359 ordinary shares for £2,224,359. The cost of the shares held by the EBT, at an average of 128.8 pence per share (2009: 165.9 pence per share) was £5,062,765 (2009: £2,838,386). The market value of the shares held by the EBT at 30 June 2010 at 94.8 pence per share (2009: 147.5 pence per share) was £3,724,990 (2009: £2,523,793). The shares are held in the EBT for the purpose of satisfying options that have been granted under The Barratt Developments PLC Executive and Employee Share Option Plans. These ordinary shares do not rank for dividend and do not count in the calculation of the weighted average number of shares used to calculate earnings per share until such time as they are vested to the relevant employee.

18. Cash flows from operating activities

	2010	2009
	£m	£m
Loss for the year from continuing operations	**(118.4)**	(468.6)
Tax	**(44.5)**	(210.3)
Finance income	**(13.4)**	(18.0)
Finance costs	**249.1**	208.6
Share of post-tax loss from joint ventures	**1.5**	3.0
Profit/(loss) from operations	**74.3**	(485.3)
Amortisation of deferred loss on swaps	**0.2**	0.4
Depreciation	**3.6**	5.1
Impairment of inventories	**4.8**	499.5
Impairment of available for sale financial assets	**6.1**	23.7
Share-based payments (credit)/charge	**(0.6)**	4.3
Imputed interest on deferred term land payables	**(26.5)**	(19.8)
Imputed interest on available for sale financial assets	**7.0**	11.2
Amortisation of facility fees	**(9.4)**	(17.4)
Imputed interest on Kickstart equity funding	**(0.2)**	-
Write-off of previous facility unamortised fees	**(31.0)**	-
Finance costs related to employee benefits	**(1.6)**	(0.3)
Profit on disposal of property, plant and equipment	**-**	(0.4)
Deferred tax on fair value adjustment	**-**	(3.3)
Total non-cash items	**(47.6)**	503.0
Decrease in inventories	**193.7**	795.5
(Increase)/decrease in trade and other receivables	**(23.9)**	63.8
Increase/(decrease) in trade and other payables	**198.2**	(321.9)
Increase in available for sale financial assets	**(55.9)**	(43.3)
Total movements in working capital	**312.1**	494.1
Interest paid	**(101.2)**	(155.3)
Tax received	**53.8**	51.3
Net cash inflow from operating activities	**291.4**	407.8

19. Contingent liabilities

a) 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 counter indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £399.0m (2009: £417.5m), and confirm that at the date of these financial statements the possibility of cash outflow is considered minimal and no provision is required.

b) Contingent liabilities related to joint ventures

The Group has guaranteed certain bank borrowings of its joint ventures, amounting to £nil at the year end (2009: £3.9m).

At 30 June 2010, the Group has an obligation to repay £0.9m (2009: £0.9m) of grant monies received by a joint venture upon certain future disposals of land.

The Group also has a number of performance guarantees in respect of its joint ventures, requiring the Group to complete development agreement contractual obligations in the event that the joint ventures do not perform what is expected under the terms of the related contracts.

c) Contingent liabilities related to subsidiaries and joint ventures
Provision is made for the Directors' best estimate of all known 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 where the Directors consider, based on that advice, that the action is unlikely to succeed, or a sufficiently reliable estimate of the potential obligations cannot be made.

i) Incident at Battersea Park Road, London
One of the principal subsidiaries within the Group is BDW Trading Ltd ('BDW'). On Tuesday 26 September 2006 at Battersea Park Road, London, a tower crane supplied to BDW (with operator) by a third party contractor collapsed. The collapse of the crane was not contained within the boundaries of the site and the crane operator and a member of the public were killed. In addition, significant damage was caused to a neighbouring block of flats and shops which resulted in the evacuation of a number of local residents due to concerns about structural stability. There is an ongoing criminal investigation currently being carried out by the London Metropolitan Police and the Health and Safety Executive to ascertain whether any of the parties involved are criminally liable for manslaughter or under relevant health and safety legislation. Although no assurance can be given, the Board has been advised that on the information available as at 7 September 2010, being the last practicable date prior to the publication of this Annual Report and Accounts, the risk of a finding of criminal liability against BDW is low. A number of civil claims brought against BDW in connection with the same incident have now been settled. All such claims are covered by the Group's insurance, to the extent not recoverable from the third party contractor's insurers.

ii) Incident at Bedfont Azure Lakes
On 28 February 2008, a resident was found dead and another seriously injured in housing association accommodation at the Bedfont Lakes, Azure site that was developed by BDW. It is believed that the cause of both the death and the serious injury was due to carbon monoxide poisoning. Following investigations by the Police and the Health and Safety Executive criminal proceedings have been commenced against both the plumbing and heating sub-contractor utilised by BDW for the development for a breach of health and safety legislation, and against an individual registered gas engineer for manslaughter caused by gross negligence and breach of gas safety legislation. The Police and Health and Safety Executive investigations are still ongoing. Claims have been made against BDW by both the housing association and by various residents on the estate where the incident occurred. A number of claims have been settled by the Group's insurers but the remainder are still outstanding and are being dealt with by the Group's insurers, although the extent to which these are covered by the Group's insurance or the insurance of other parties cannot, at present, be clearly ascertained.

20. Related party transactions

The Group has identified the Directors of the Company, the Group pension scheme, the Group's joint ventures and joint venture partners, and its key management as related parties for the purposes of IAS24 'Related Party Disclosures'. There have been no transactions with those parties during the year ended 30 June 2010 that have materially affected the financial position or performance of the Group during this year. All transactions with subsidiaries are eliminated on consolidation.

a) Remuneration of key personnel
Disclosures related to the remuneration of key personnel as defined in IAS24 'Related Party Disclosures' will be provided in the 2010 Annual Report and Accounts.

b) Transactions between the Group and its joint ventures
The Group has principally entered into transactions with its joint ventures in respect of funding, development management services (with charges made based on the utilisation of these services), and purchases of land and work in progress. These transactions totalled £1.9m (2009: £1.9m), £0.3m (2009: £0.6m) and £nil (2009: £18.5m).

The amount of outstanding loans and interest due to the Group from its joint ventures at 30 June 2010 was £88.0m (2009: £89.8m) which are included in Group investments. The amount of other outstanding payables to the Group from its joint ventures at 30 June 2010 totalled £nil (2009: £nil). The Group has also during the year provided bank guarantees to the value of £26.0m (2009: £26.0m) to two of its joint venture partners. No provisions have been made for doubtful debts in respect of the amounts owed by the related parties.

21. Seasonality

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

22. Statutory Accounts

The consolidated financial statements for the year ended 30 June 2010 have been approved by the Directors and prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and Standing Interpretations Committee ('SIC) interpretations as adopted and endorsed by the European Union ('EU').

Barratt Developments PLC's 2010 Annual Report and Accounts will be circulated to shareholders in October 2010 and will be made available on its website www.barrattdevelopments.co.uk at that point. The financial information set out herein does not constitute the Company's statutory accounts for the year ended 30 June 2010 (as defined in Sections 434 and 436 of the Companies Act 2006) but is derived from the 2010 Annual Report and Accounts and the accounts contained therein. Statutory accounts for 2010 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 17 November 2010.

The comparative figures for the year ended 30 June 2009 are not the Company's statutory accounts for the financial year but are derived from those accounts which have been reported on by the Company's auditors and will be delivered to the Registrar of Companies as stated above. The 2010 report of the auditors is unqualified and does not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

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

23. Principal risks and uncertainties

The Group's financial and operational performance is subject to a number of risks. The Board seeks to ensure that appropriate processes are put in place to manage, monitor and mitigate these risks which are identified in the table below. The Group recognises that the management of risk is fundamental to the achievement of Group targets. As such all tiers of management are involved in this process.

Principal risks of the Group include, but are not limited to:

Risk	Mitigation
Market	
Response to changes in the macroeconomic environment including unemployment, buyer confidence, availability of mortgage finance for purchasers, interest rates and the impact of competitor pricing.	A weekly review is undertaken of key trading indicators, including reservations, sales rates, visitor levels, levels of incentives, competitor activity and cash flow projections and where appropriate management action is taken. The Group seeks to give mortgage lenders complete transparency regarding house purchase prices alongside any discounts or other incentives in order that they have appropriate information upon which to base their lending decision. The Group works with key mortgage lenders to ensure that products are appropriate wherever possible for its customers.
Design and construction defects may lead to cost overruns including remedial costs, and may reduce selling prices and adversely impact the Group's reputation.	The Group has a comprehensive approach to quality, service and customer care encapsulated in the 'Forward through Quality' initiative and customer care code of practice.
Liquidity	
Availability of sufficient borrowing facilities to enable the servicing of 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 it has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April and May, and October and November, of each year, as, due to seasonal trends in income, these are the points in the year when the Group has the highest working capital requirements. Accordingly, the Group maintains sufficient facility headroom to cover these requirements. On a normal operating basis the Group has a policy of maintaining facility headroom of up to £250m. The Group has in place a comprehensive regular forecasting process encompassing profitability, working capital and cash flow that is fully embedded in the business. 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.
Inability to obtain surety bonds.	The Group actively maintains a number of surety facilities that are designed to ensure that it has sufficient bonds available. The Group has a comprehensive regular forecasting process for surety bond requirements.
Inability of the Group to refinance its facilities as they fall due.	The Group has a policy that the maturity of its committed facilities and private placement notes in aggregate is at least two years on average with a target of three years.
Inability of the Group to comply with its borrowing covenants.	On 22 September 2009 the Company entered into agreements with its bank lenders and private placement noteholders to amend the terms of its existing financing arrangements including revised financial covenants. These amendments became effective on 16 November 2009 following the completion of the Group's Placing and Rights Issue.

Risk	Mitigation
	The Group is in compliance with its borrowing covenants and at the date of approval of the financial statements, the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future being at least twelve months from the date of signing the financial statements.
People	
Ability of the Group to attract, retain and develop a sufficiently skilled and experienced workforce.	The Group has a comprehensive Human Resources policy in place which includes apprentice schemes, a graduate programme, succession planning and training schemes tailored to each discipline. The Group continues to target a fully CSCS carded and qualified workforce.
Underfunding of the Group's obligations in respect of the defined benefit pension scheme.	An actuarial valuation is conducted every three years. The Group reviews this and as appropriate considers what additional contributions are necessary to make good this shortfall. To limit the risk further, with effect from 30 June 2009, the scheme ceased to offer future accrual of defined benefit pensions for current employees and the link between accrued benefits and future salary increases was removed.
Subcontractors and suppliers	
Shortages or increased costs of materials and skilled labour could increase costs and delay construction.	The Group adopts a professional approach to site management and seeks to partner with its supply chain.
Failure of a key supplier or inability to secure supplies upon appropriate credit terms.	The Group has a policy of having multiple suppliers for both labour contracts and material supplies, and contingency plans should key suppliers fail.
Land	
Securing sufficient land of appropriate size and quality to provide profitable growth subject to the available borrowing facilities.	Each division produces a detailed site-by-site monthly analysis of the amount of land currently owned, committed and identified. These are consolidated for regular review at Board level. In addition, each operating division holds weekly land meetings. Every land acquisition is subject to a formal appraisal procedure and is required to achieve an overall Group defined hurdle rate of return.
The timing of conditional land purchase contracts becoming unconditional is uncertain. Unexpected changes in contract status may result in additional cash outflow for the Group.	Each division has a site-by-site detailed short-term and medium-term forecasting process including sensitivity scenarios.
Falls in house prices or land values or a failure of the housing market to recover could lead to further impairments of the Group's inventories, goodwill and intangible assets.	The Group's internal systems clearly identify the impact of sales price changes on the margin achievable. As a minimum, the Group performs biannual asset impairment reviews.
The market for land can be illiquid and therefore it may be difficult to sell or trade land if required. Where land is sold, there is a risk that the proceeds may not be received from the counterparty.	The Group's internal forecasting process is able to identify the impact of these sensitivities explicitly.
Government regulation	
Changes in Government policy towards the housebuilding industry.	The Group consults with the UK Government both directly and through industry bodies to highlight potential issues.
The housebuilding industry is subject to extensive and complex regulations and an	The Group has considerable in-house technical and planning expertise devoted to complying with

Risk	Mitigation
increasingly stringent regulatory environment including planning and technical requirements.	regulations and achieving implementable planning consents.
Consequence of changes in tax legislation.	The Group has adopted a low risk strategy to tax planning. Potential and actual changes in tax legislation are monitored by both industry experienced in-house finance teams and external tax advisers.
Construction	
Failure to identify and achieve key construction milestones, including the impact of adverse weather conditions, could delay construction or increase costs.	The Group's weekly reporting identifies the number of properties at key stages of construction. Projected construction rates are evaluated as part of the monthly forecasting cycle.
Large development projects, including commercial developments are complex and capital intensive and changes may negatively impact upon cash flows or returns.	Development projects, including returns and cash flows, are monitored regularly by divisional management teams.
Failure to identify cost overruns promptly.	The total costs on every site in progress are evaluated at least quarterly and reviewed by the divisional management teams.
Cost reduction measures may adversely affect the Group's business or its ability to respond to future improvements in market conditions.	In parallel to reducing costs during the downturn a Main Board level committee has developed a 'Planning for Recovery' programme.
Exposure to environmental liabilities and consideration of the impact of construction schemes upon the environment and social surroundings.	The Group regularly monitors a number of environmental impact indicators. The results of this appear in the Group's Corporate Responsibility Report.
Litigation and uninsured losses.	The Group has an in-house legal department and consults with external lawyers as appropriate. The Group maintains insurance cover for all main risks of the Group.
Health and safety	
Health and safety.	The Group has a dedicated health and safety audit department which is independent of the management of the operating divisions.
IT	
Failure of the Group's IT systems, in particular those relating to surveying and valuation, could adversely impact the performance of the Group.	The Group has a fully tested disaster recovery programme in place.

Details of the Group's management of liquidity risk, market risk, credit risk and capital risk in relation to financial instruments are provided in note 15.

24. Directors' responsibility statements

The Directors' responsibility statements are made in respect of the full Annual Report financial statements not the condensed statements required to be set out in this Annual Results Announcement.

The 2010 Annual Report and Accounts comply with the United Kingdom's Financial Services Authority Disclosure Rules and Transparency Rules in respect of the requirement to produce an annual financial report.

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

a) the Group and Parent Company financial statements contained in the 2010 Annual Report and Accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board, International Financial Reporting Interpretations Committee interpretations and Standing Interpretations Committee interpretations as adopted and endorsed by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and

b) the management report contained in the 2010 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 Barratt Developments PLC and their functions are listed below:

Robert Lawson, Chairman
Mark Clare, Group Chief Executive
Steven Boyes, Group Board Executive Director
Clive Fenton, Group Board Executive Director
David Thomas, Group Finance Director (appointed 21 July 2009)
Mark Pain, Group Finance Director (resigned 21 July 2009)
Tessa Bamford, Non-Executive Director
Robert Davies, Senior Independent Director
Roderick MacEachrane, Non-Executive Director
Mark Rolfe, Non-Executive Director
William Shannon, Non-Executive Director

Approved by order of the Board on 7 September 2010

M S Clare
Group Chief Executive

D F Thomas
Group Finance Director

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Company information

Registered in England and Wales. Company number 604574