Immediate release 14 September 2011

Barratt Developments PLC
Annual Results Announcement
for the year ended 30 June 2011

Mark Clare, Group Chief Executive commented:

"We have made considerable progress in rebuilding profitability - by optimising selling prices, improving operational efficiency and securing new higher margin land. Whilst we expect progress to continue, further recovery in the housing market remains dependent on improving economic conditions and the ability of our customers to secure mortgage finance."

Highlights

- Total completions, including joint ventures, for the full year were 11,171 (2010: 11,377)
- Private average selling price (excluding joint ventures) up 7.4% for the full year to £198,900 (2010: £185,200) due to active management of mix
- Overall underlying selling prices were stable for the period, but with regional variations
- 50% increase in operating profit before operating exceptional items to £135.0m (2010: £90.1m)[1], with full year operating margin before operating exceptional items increasing to 6.6% (2010: 4.4%)
- Second half housebuild operating margin[2] of 8.0% against 5.9% for the previous year
- The Group returned to profit before exceptional costs for the full year[3] of £42.7m (2010: loss of £33.0m)
- Refinancing package in place providing the Group with c. £1 billion of committed facilities and private placement notes, improving balance sheet efficiency
- Net debt of £322.6m (2010: £366.9m) as at 30 June
- Net tangible asset value per share of £2.11 (2010: £2.08 per share) at 30 June 2011[4]
- For the first 11 weeks of our current financial year, we achieved average net private reservations of 183 per week, 10.2% above the same period last year. On a per active site basis this equates to a private sales rate of 0.49 (2010 equivalent period: 0.48)

[1] Profit from operations was £127.3m (2010: £74.3m) after operating exceptional items of £7.7m (2010: £15.8m)

[2] Housebuild margin is profit from operations before operating exceptional costs for the housebuilding segment divided by revenue for the housebuilding segment

[3] After exceptional costs of £54.2m (2010: £129.9m) the Group made a loss before tax for the year of £11.5m (2010: £162.9m)

[4] Net tangible asset value per share calculated as net assets, less intangible assets and goodwill, divided by number of allotted and issued ordinary shares

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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 8.30am today at UBS, Room 25, 7th Floor, 1 Finsbury Avenue, London, EC2M 2PP. The presentation will be broadcast live on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, from 8.30am today. A playback facility will be available shortly after the presentation has finished.

The presentation slides will be available on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, from 8.30am today.

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.

For further information please contact:

Barratt Developments PLC
Mark Clare, Group Chief Executive — 020 7299 4898
David Thomas, Group Finance Director — 020 7299 4896

Analyst / investor enquiries
Susie Bell, Head of Investor Relations — 020 7299 4880

Media enquiries
Dan Bridgett, Head of External Affairs — 020 7299 4873

The Maitland Consultancy
Liz Morley — 020 7379 5151
Neil Bennett

Chairman's statement

This has been a further year of recovery for the Group. We have remained focused on our key priorities and have delivered a significant improvement in the profitability of the Group whilst continuing to see further progress in quality and customer service.

Market conditions
The housing market in the UK has remained constrained. The key restriction on the new build industry remains the availability of adequate mortgage finance, particularly with higher loan to value products.

With continuing low levels of new build activity, there remains a fundamental imbalance between annual housing demand and supply which will continue to widen unless the underlying causes are addressed. There is considerable demand for housing but the mortgage market is not supporting this and it will clearly take time for the market to function in a more normal way.

As a result of Government policy, we are seeing changes in the planning process and the implementation of 'localism', empowering communities to have more control over local development. We have responded positively to these changes and each of our businesses continues to engage directly with their local communities.

We welcome the introduction of the Government's FirstBuy scheme, designed to stimulate the market by providing equity share loans to first-time buyers, in the absence of more normal mortgage lending.

Our response
Our response to the current market restrictions has been clear and consistently pursued. Our priorities have been optimising selling prices, improving operational efficiency and targeted land spend. As a result, we have driven significant margin improvement in each of the last two years.

Importantly, improvements in operational efficiency have not been at the expense of quality. The Group has, for the second consecutive year, achieved Home Builders Federation ('HBF') Five Star status. This is the highest achievable level in terms of customer satisfaction and whether they would recommend us to a friend. Additionally, under the National House-Building Council ('NHBC') 'Pride in the Job' scheme, our site managers have won more quality awards than any other housebuilder for the seventh year running.

This high level of quality is central to our pricing policy. We are committed to achieving an appropriate return for the outstanding homes that we build and we have the right sales and marketing capabilities to achieve this.

Private average selling price increased by 7.4% to £198,900 during the year compared with 2010. This was driven by the business actively changing the profile of the products we build – more family houses and less flats.

Longer term financing arrangements
We were pleased to complete our debt refinancing in May 2011. This provides the Group with around £1 billion of committed facilities and private placement notes to May 2015, with some of the Group's arrangements extending as far as 2021.

Our improved operational performance and strong cash management contributed to a further reduction in debt levels by the year end.

No dividend will be paid in respect of the 2011 financial year. However, the Board remains committed to reinstating the payment of dividends when it is appropriate to do so.

New land to improve margins further
Since we re-entered the land market in mid-2009, we have had two good years of land buying and invested a total of £981.3m. We have secured terms on around 22,000 plots and this will represent the foundation of our future business and margin growth. We have maintained our long-term relationships with land vendors, and also developed new relationships, through a very difficult period for the industry. We have maintained a disciplined approach. Wherever possible we are acquiring land on deferred terms and during the year we increased our hurdle rates to ensure that we are increasingly selective about the opportunities we secure.

Our employees
In the year I have visited many of our local offices and housing developments. I am always impressed by the enthusiasm and ability of our employees. It is through their efforts that we lead the industry on service,

quality and the standard of our sites. The efficiency and quality of our operation would not be possible without the skills and commitment of our employees and I do wish to record the Board's thanks to all our people.

The future

We have returned to profit before exceptional items which is an important milestone. We recognise that economic uncertainty and mortgage availability will continue to influence the housing market. However, we have a skilled workforce, an evolving land bank and a strengthened financial position. We are at the forefront of addressing many of the changes that will shape the industry in future years: evolving customer demand; design and environmental standards; and changes in planning. With these strengths we remain well equipped to compete now and in the future.

Bob Lawson
Chairman

Group Chief Executive's review
This has been a year of good progress against a challenging backdrop, particularly in the first half of our financial year.

We have achieved a 50% increase in profit from operations before operating exceptional items, agreed terms on 8,861 plots of land, were awarded HBF Five Star status for a second consecutive year, and refinanced our business until 2015.

We are well placed to secure further margin growth although the housing market is likely to remain challenging.

Performance
We increased profit from operations before operating exceptional items by 50% from £90.1m to £135.0m with a significant improvement in operating margin before operating exceptional items to 6.6% (2010: 4.4%).

Our second half housebuild operating margin before operating exceptional items improved to 8.0% against 5.9% the previous year, demonstrating the strength of our margin improvement over the period.

The Group returned to profitability in the year with a profit before tax and exceptional items of £42.7m (2010: loss of £33.0m). Our improved operational efficiency and continued tight control over the timing of land expenditure and working capital, enabled us to reduce net debt to £322.6m at 30 June 2011 (30 June 2010: £366.9m).

Our priorities
Our overriding objective is to rebuild profitability and we have set out three clear priorities to achieve this:

- optimising selling prices;
- improving operational efficiency; and
- targeted land buying.

We have made considerable progress in each of these areas. Our intent is to deliver these priorities, whilst tightly controlling the balance sheet, thereby managing overall levels of debt given the uncertain economic environment.

Optimising selling prices
During the year we have focused on securing the best price for every sale. Across the Group we have focused on maximising value rather than driving volumes. Procedures are in place to ensure strict pricing disciplines in every development.

Average selling price (excluding joint ventures) rose by 2.3% to £178,300 (2010: £174,300), with private average selling prices increasing by 7.4% to £198,900 (2010: £185,200). These increases were mainly as a result of changes in mix including from flats to houses.

The first half of the year was significantly affected by weak consumer confidence, particularly around the Government's Comprehensive Spending Review in October 2010. The net private reservation rate per active site per week for the first half was 0.39 (H1 2010: 0.49). In the second half of the year we saw a significant improvement with a net private reservation rate per active site per week of 0.48 (H2 2010: 0.52). As a result, the net private reservation rate per active site per week during the year reduced from an average of 0.50 to an average of 0.44.

We are building a higher proportion of houses to satisfy customer demand and in the last twelve months we have redesigned both our Barratt and David Wilson house types. In the year, 66% of completions were houses compared with 60% during the prior year. Improvements in our marketing capability have been an important factor in driving sales. New leads generated from our websites have continued to increase and our centralised call centre, which was established in the last financial year, is operating well. 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.

Our unique five-year warranty continues to provide a point of difference from our competitors. This covers fixtures and fittings and is additional to the ten-year NHBC warranty on the fabric of the building. During the year this feature has been working effectively as an incentive for the customer.

Operational efficiency
Driving operational efficiency has remained a significant focus for the Group. Our supply contracts for materials continue to be reviewed and renegotiated as appropriate and we purchase an increasingly significant proportion of our materials centrally.

We continue to review our supply chain to create efficiencies by introducing new suppliers and altering build specifications where appropriate. 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 total housebuilding costs (including infrastructure) reduce by 1.4% per square foot in the year. Going forward, it is likely that some pressure will continue to be felt as raw material prices rise due to underlying commodity price increases.

Further efficiency savings and reductions in operating costs have been achieved through the ongoing focus on our Quality and Cost programme which promotes and shares best practice in the build process across the Group.

We have further reduced our administration expenses in the year and will continue to review these going forward.

Land and planning
Our strategy continues to be to optimise our existing land holdings by getting the best possible prices for our products whilst replanning sites and reducing build and associated costs. In the last twelve months we have replanned a further 60 sites. In particular, we have continued to be successful at replacing flats with new purpose-designed house types. This ensures that we are building the right mix of products for our customers, particularly given the lending restrictions which still favour houses over flats.

During the year we continued to invest in land which met our clearly defined hurdle rates in terms of profitability and return on capital, providing attractive returns at current selling prices. Recently acquired higher margin land is now driving margin improvement. The Group's strategy is focused on acquiring land in prime locations, (for example with excellent transport links), and on land that is relatively advanced in terms of gaining planning consents. We have seen prices for land firming in the South East as other housebuilders are targeting this area. We have maintained our discipline of not chasing prices up and have continued to adopt an acquisition strategy that is not unduly focused on any specific geographic area.

For the full year we agreed terms on £454.1m of land purchases, the majority of which we will acquire on the basis of deferred payment. This equates to 88 sites and 8,861 plots of which 86% are for houses. The forecast average selling price on this land is c. £205,000 based on current prices.

Total cash expenditure on land in the year was £261m (2010: £253m).

Land creditors as at 30 June 2011 were £700.7m (2010: £566.8m). The year on year increase in land creditors reflects the significant proportion of newly acquired land that has been acquired on deferred terms. Land creditors due within the next 12 months total £349.1m (2010: £266.6m), with £351.6m (2010: £300.2m) due thereafter. In the period to 31 December 2011, we expect land creditors will remain fairly constant, dependent upon the satisfaction of contractual conditions, for example planning permission.

At 30 June 2011, the Group's owned and unconditional land bank stood at 47,917 plots (2010: 50,948 plots) with an additional 12,166 plots (2010: 11,392 plots) under conditional contracts, giving a total of 60,083 plots (2010: 62,340 plots). This equates to approximately 5.4 years (2010: 5.6 years) of owned and controlled land based on 2011 completion volumes. We anticipate reducing our owned and unconditional land bank, based on prior year completion volumes, over the next couple of years to around four years supply and the conditional land bank to around one years supply.

Of the Group's owned and unconditional plots (47,917 plots), less than 24% by value is made up of impaired land. 47% by value consists of non-impaired land where the average gross margin is c. 10% and the remaining 29% consists of land acquired since re-entering the land market in mid-2009 with an average gross margin of more than 20% based on current house prices.

Our underlying assumptions for impairment calculation purposes are for low single digit selling price and cost inflation. In the past year, we have only seen a small improvement in underlying prices, but we have continued to deliver further cost reductions. We recognise that the Group is not immune to future pricing trends in the wider housing market and we will continue to review the trading environment and our impairment assumptions during the year to 30 June 2012.

At the end of June 2011, the Group had detailed planning consent for 96% of budgeted volumes for the current financial year, with a further 3% having outline planning consent. For FY 2012/13 70% of forecasted volumes has detailed planning consent, with a further 12% having outline planning consent.

In addition, we have c. 11,400 (2010: c. 11,000) acres of strategic land which are regularly reassessed until the necessary planning consents are obtained. They are carried at the lower of cost and net realisable value minimising our exposure to risk. Strategic land is expected to produce an increasing proportion of our operational land in future years. In the next few years planning consents are expected on sites containing around 15,000 units.

Government policy

In May 2010 the Government announced proposals to change significantly the planning process and implement 'localism' thereby empowering the local communities to have more control over and consequently derive financial benefit from local development. At the same time, it was confirmed that there would be cuts in public expenditure in areas such as social housing. Against this backdrop there has been some disruption to the planning and housing development landscape but the short-term impact on our business has been limited. A high percentage of our land bank has outline or detailed planning consent and we have a significant level of contracted Government funding for affordable housing.

More recently, the Government has focused on growth strategies and in recognising the economic multiplier effect of housing development they have encouraged local development, with a move towards a 'planning presumption in favour of sustainable development'.

The 2011 Budget announcements contained a number of positive measures for housebuilders. The introduction of a new Government backed shared equity scheme, FirstBuy, provides an important selling tool for the industry given the limited availability of higher loan to value ('LTV') mortgages, particularly for the new build sector. The Group has a strong track record of maximising the benefits of the previous HomeBuy Direct scheme and this new initiative is likely to reduce the requirement for our own shared equity products going forward. We have received an allocation of £24.9m of funding under the FirstBuy scheme which will fund the purchase of around 1,400 homes, with Barratt and the Homes and Communities Agency ('HCA') jointly providing up to 20% shared equity on each home purchased from us.

The 2011 Budget also included proposals to increase the supply of new housing through the accelerated release of public land, the reduction of regulatory cost and improvements in planning. We have already been successful in securing land through the existing Delivery Partner Panel ('DPP') initiative and expect this further commitment to be an important source of land for the Group going forward.

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

The mortgage market

The availability and affordability of mortgages is a key catalyst for underlying housing demand. The level of mortgage approvals has reduced dramatically in the past four years from the peak seen in 2007.

The mortgage market for new build housing is dominated by a limited number of lenders. There have been some changes in the respective market shares during the year primarily driven by the return of Building Societies and the changes in lending criteria from certain lenders. Some lenders still provide a lower LTV on new build houses when compared to second hand houses. There is typically a LTV of 90% on second hand but only 80% on new build. There does not appear to be any justification for this differential and it clearly disadvantages housebuilders and their customers. This discrepancy is a driver of lower demand for new homes. Shared equity schemes including Government schemes such as HomeBuy Direct and the new FirstBuy scheme have proved popular due to this discrepancy.

Partner of choice

During the year we have made progress in securing land through innovative arrangements and partnerships.

Our specialist Urban Regeneration team, working with our divisions, contracted 1,147 units on six sites through public sector partnerships with a gross development value of c. £180m.

We have been actively bidding for sites through the three area based DPPs that were established in 2010 by the HCA. To date, we have been successful on four bids accounting for up to 734 plots and are actively involved in ten ongoing bids.

We believe the Government's recent announcement of its intention to increase the release of public land to build up to 100,000 new homes is a positive step. Barratt has a good track record of working with public sector partners and should be well positioned to capitalise on this initiative. We are already working on a number of public sector partnership sites including North Prospect in Plymouth, Heritage Park in Silverdale, Staffordshire and Elba Park near Sunderland.

Joint venture and partnership opportunities
We continue to explore joint venture ('JV') and partnership opportunities which allow us to access projects that may not otherwise be available or reduce the investment required and improve the return on capital employed through construction management or marketing fees.

We have established JVs with London & Quadrant, one of the country's largest Residential Social Landlords, to develop two London residential sites:

- a 27-storey residential tower at Alie Street on the edge of the City of London. This development will deliver 235 units of which 64 will be affordable housing; and
- 375 new private flats beside Arsenal's Emirates stadium. The development will comprise three residential towers with units ranging from studios to penthouses.

Barratt will receive a fee for construction and marketing services as well as 50% of the net profit.

We have also established two additional JVs, in East Grinstead and Worthing, with the Wates Group ('Wates'), one of the UK's largest building and construction companies. This brings our total JVs with Wates to four.

Commercial developments
Commercial development revenue was £49.2m (2010: £35.1m). This included revenue from the design and build for a major retailer of an 867,000 sq ft distribution centre in Rochdale. This project was completed in April 2011. The Group's commercial development operations made a profit from operations of £0.8m (2010: loss of £6.1m).

The Group's commercial development operation was also successful during the year in securing a redevelopment agreement for Basildon town centre, in partnership with our housebuilding operations.

Quality, service and design
During the last year we have updated both the Barratt and David Wilson Homes brands with internal layouts designed around modern living. The new designs were well received by consumers and we are starting to roll out both new ranges – 'County' and 'Classic'. Our commitment to delivering the highest quality product and excellent customer service has been acknowledged by our customers both through our internal survey where 98% (2010: 97%) of customers would recommend us to a friend and our achievement of HBF Five Star housebuilder status for a second successive year. High quality products have contributed to the drive for profitability through achieving optimum selling prices and reducing costs.

Health, safety and the environment
We continue to place a high 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 539 (2010: 582) per 100,000 persons employed which is a 7.4% decrease on last year's figure. We remain committed to improving health and safety and have an Executive Health and Safety Committee, which reports to the Board, to drive further improvement.

We aim to secure a position as the lowest cost provider complying with the Code for Sustainable Homes (the 'Code'). During the year we built 3,071 homes to Code Level 3 or above and we are already starting to build developments at higher Code levels where required. We are establishing improved and lower cost methods which are allowing us to reduce the cost of compliance. We are well advanced with the development of ways of building a Code Level 4 house to satisfy the criteria without the need for renewable sources of energy.

We are progressing our development at Hanham Hall, the UK's first large-scale zero carbon housing development. We have cleared the site, built the first two zero carbon houses and commenced the renovation of the original listed Hanham Hall building.

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.

Refinancing
We undertook a complete debt refinancing in May 2011. This provides the Group with around £1 billion of committed facilities and private placement notes to May 2015, with some of the Group's arrangements extending as far as 2021. The effective cost of borrowing will be reduced as a result of improving the balance of the facilities between term debt and that needed to meet our working capital requirements, with the term debt reducing from £903m to £311m.

The covenant package is similar to before, and the facilities provide appropriate headroom above our current forecast debt requirements. Net debt as at 30 June 2011 was £322.6m (2010: £366.9m). Exceptional costs of £46.5m, relating to the refinancing and the cancellation of interest rate swaps, have been charged to the income statement.

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

Whilst we saw greater stability in the second half, trading conditions remain challenging in some areas outside the South East. Our London business continues to perform particularly well, reflecting its strong position across the capital.

We will continue to drive profitability through optimising the value of the homes we sell, delivering additional outlets from our new higher margin land whilst maintaining a tight control over costs and improving operational efficiency.

Since the end of the last financial year, sales performance has been in-line with normal seasonal trends. Given the increase in active sites this has meant we saw weekly net private reservations increase by 10.2% over the previous year. Net private reservations have averaged 0.49 (2010: 0.48) per active site per week. Cancellation rates have remained low at an average of 12.4% (2010: 12.1%) for the year to date.

We are targeting an increase in total completions for this financial year, driven by increasing numbers of outlets rather than higher sales rates. We expect average active site numbers to be around 400 (2011: 364) for the year as a whole. Forward sales at 11 September 2011 were £855.7m (2010: £865.1m) representing 5,541 plots (2010: 5,404 plots).

Our primary focus continues to be on optimising selling prices. We expect to see a further shift in product mix, with houses likely to represent around 70% of total volumes, resulting in a further increase in private average selling price. In addition, the percentage of our completions that will be delivered from newer higher margin sites is set to increase to around 35% this year which will enable us to continue to drive margins higher.

Mark Clare
Group Chief Executive

Group Finance Director's review

Results
The Group has returned to making a profit before exceptional items and has reduced its net debt against the backdrop of a challenging market with continuing constrained mortgage availability.

Performance metrics were as follows:

- Revenue was £2,035.4m (2010: £2,035.2m).
- Total completions[1] decreased by 1.8% to 11,171 (2010: 11,377).
- Profit from operations before operating exceptional items[2] increased by 50% to £135.0m (2010: £90.1m).
- Operating exceptional items[2] comprised reorganisation costs of £7.7m (2010: £11.0m) and an impairment of inventories of £nil (2010: £4.8m).
- Profit from operations was £127.3m (2010: £74.3m).
- Operating margin before operating exceptional items[2] was 6.6% (2010: 4.4%).
- Loss before tax was £11.5m (2010: £162.9m).
- Adjusted profit per share before exceptional items[3] was 2.7p (2010: loss of 2.9p).
- Basic loss per share was 1.4p (2010: 14.5p).

Segmental analysis
The Group's operations comprise 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	1,986.2	49.2	2,035.4
Profit from operations before operating exceptional items[2]	134.2	0.8	135.0
Profit from operations	126.5	0.8	127.3

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 £54.2m (2010: £129.9m). This comprised operating exceptional items of £7.7m (2010: £15.8m) and exceptional finance costs of £46.5m (2010: £114.1m).

Operating exceptional items
i) Restructuring costs
During the year, the Group continued to adjust its operations in light of current trading conditions resulting in £7.7m (2010: £11.0m) of reorganisation and restructuring costs.

ii) Impairment of land and work in progress
The Group has completed a site-by-site impairment review using valuations incorporating forecast sales rates and average selling prices that reflect both current and anticipated trading conditions. The impairment reviews include low single digit house price and build cost inflation assumptions in future periods.

Since overall gross margin achieved across the Group's developments were primarily in-line with those incorporated into prior period impairment reviews no further exceptional impairment was required at 30 June 2011, although there were gross impairment reversals and charges of £65.0m (2010: £57.4m) due to variations in market conditions across housebuilding sites. Changes arising from normal trading, such as

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[1] Total completions of 11,171 (2010: 11,377) comprise private completions of 8,444 (2010: 9,455), social completions of 2,634 (2010: 1,870) and joint venture completions of 93 (2010: 52).
[2] Operating exceptional items, comprising restructuring costs and in 2010 exceptional inventory impairments, were £7.7m (2010: £15.8m) of which £7.7m (2010: £11.0m) related to the housebuilding business and £nil (2010: £4.8m) related to the commercial developments business.
[3] Exceptional items comprise operating exceptional items of £7.7m (2010: £15.8m), exceptional finance costs arising from the refinancing of £46.5m (2010: £114.1m arising from the amended financing arrangements) and the related tax credit on exceptional items of £14.9m (2010: £35.4m).

planning status, resulted in a net inventory impairment charge of £5.4m (2010: £7.4m) included within profit from operations.

During the year ended 30 June 2011, we have experienced variation in house price movements by region and should the actual house price movements for the current financial year differ from that expected in the impairment review then further impairments or reversals in impairments of the carrying value of our land bank may be required.

We recognise that the Group is not immune to future pricing trends in the wider housing market and we will continue to review the trading environment and our impairment assumptions during the year to 30 June 2012.

Financing exceptional item

On 11 May 2011 the Company announced the agreement of a complete debt refinancing package. As a result of this, and the cancellation of £288m of interest rate swaps due to the reduction in term debt and revision of interest rate hedging policy, the Company incurred £46.5m of exceptional refinancing costs.

In the prior financial year, the amendment of the Company's financing arrangements resulted in exceptional costs of £114.1m.

The tax benefit of the operating and financing exceptional items was £14.9m (2010: £35.4m).

Finance cost

The net finance charge before exceptional costs for the year was £92.4m (2010: £121.6m). This included a non-cash finance charge of £22.0m (2010: £30.9m). After financing exceptional costs of £46.5m (2010: £114.1m), the net finance charge for the year was £138.9m (2010: £235.7m).

For the financial year ending 30 June 2012 we currently expect that our blended rate of interest will be between 7.5% and 8%. The cash interest for our 2012 financial year is forecast to be c. £70m, a saving of around £5m p.a. from the estimated equivalent cost under our previous financing arrangements. In addition, we are forecasting a non-cash interest charge in our 2012 financial year of c. £20m.

Tax

The Group's tax charge for the year was £2.3m (2010: credit of £44.5m). This differed from the effective rate for the year of 27.5% mainly due to the impact of the reduction in the corporation tax rate from 28% to 26% and its impact upon the Group's deferred tax asset and adjustments relating to prior periods.

During the year, the Group received tax repayments totalling £4.5m (2010: £53.8m).

For the financial year ending 30 June 2012 we expect the total taxation charge to be around the effective rate of corporation tax of 25.75%. This excludes the impact of the charge arising from the reduction in the value of the Group's deferred tax asset due to the reduction in the standard rate of corporation tax to 25%.

Dividend

The Directors are not recommending payment of a final dividend in respect of the year ended 30 June 2011. The Board is committed to reinstating the payment of dividends, and will, when it becomes appropriate to do so.

Income recognised in equity

During the year income of £41.5m (2010: expense of £3.6m) has been recognised in equity predominantly relating to actuarial gains on the defined benefit pension scheme and movements on interest rate swaps.

Balance sheet

The net assets of the Group increased by £29.9m to £2,930.1m primarily reflecting the actuarial gains upon the defined benefit pension scheme and the loss after tax for the year of £13.8m.

Net tangible asset value increased by 1.5% to £2,037.9m (2010: £2,008.0m) and net tangible asset value per share at 30 June 2011 was £2.11 (2010: £2.08 per share).

Significant movements in the balance sheet included:

- The Group's book value of land was £2,189.7m (2010: £2,308.7m), a decrease of £119.0m. This decrease included land additions of £395m offset by land usage and disposals.

- Group work in progress at 30 June 2011 was £1,023.2m (2010: £981.4m). The increase of £41.8m reflects the increase in the Group's site numbers at the year end. Stock and work in progress has been closely controlled throughout the year. Unreserved stock units as at 30 June 2011 totalled 2.2 units (2010: 2.2 units) per active site.

- Group net debt decreased by £44.3m to £322.6m over the full year.

- 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 at the year end.

- The Group had a corporation tax asset of £3.2m (2010: liability of £2.8m) and a deferred tax asset of £143.2m (2010: £173.3m). During the year the Group received £4.5m (2010: £53.8m) of tax repayments. The Group's deferred tax asset decreased by £30.1m mainly due to the reduction in corporation tax rate to 26%, the reduction in defined benefit pension liability and movements upon derivative financial instruments. The changes to corporation tax rates announced in the 2011 Budget will further reduce the future value of the Group's deferred tax asset. As the changes were not substantively enacted at 30 June 2011, they are not reflected in the Group's deferred tax asset. The reduction in corporation tax rate from 26% to 25%, which has been enacted since the balance sheet date, will reduce the Group's deferred tax asset by £5.5m to £137.7m.

- The pension fund deficit on the Barratt Developments defined benefit pension scheme decreased by £34.3m in the year to £11.8m mainly due to contributions to the scheme and recognition of an experience gain upon liabilities following the trustees' triennial actuarial valuation.

- Trade and other payables were £1,379.7m (2010: £1,313.5m) including an increase of £133.9m in land payables from £566.8m to £700.7m reflecting increased land acquisitions on deferred payment terms during the year.

Net debt
Group net debt at the year end was £322.6m (2010: £366.9m). As we increase site numbers, make payment for new land approvals and build work in progress, for completions in the spring, particularly in London, we expect net debt as at 31 December 2011 to be around £650m to £700m (2010: £537.0m). In line with normal seasonal trends we would expect net debt to reduce to £400m to £450m as at 30 June 2012.

Treasury
In May we announced the agreement of a complete debt refinancing package. This provides the Group with around £1 billion of committed facilities and private placement notes to May 2015, with some of the Group's arrangements extending as far as 2021. The effective cost of borrowing has been reduced as a result of improving the balance of the facilities between term debt and that needed to meet our working capital requirements, with term debt having reduced from £903m to £311m. The covenant package is similar to before and the facilities provide appropriate headroom above our current forecast debt requirements.

As a result of the reduction in the level of our term debt, and a revision to our interest rate hedging policy, we have cancelled £288m of interest rate swaps, leaving a balance of £192m in place.

The Group has a conservative treasury risk management strategy which includes a current target that 30-60% of the Group's median gross borrowings calculated on the latest three-year plan should be at fixed rates of interest. Group interest rates are fixed using both swaps and fixed rate debt instruments.

In conclusion
During the year, the Group has successfully driven improvements in profitability through optimising sales prices, tight cost control and reducing the interest charge. These improvements have resulted in the Group's profit of £42.7m (2010: loss of £33.0m) before tax and exceptional costs. After exceptional costs of £54.2m (2010: £129.9m) the Group made a loss before tax for the year of £11.5m (2010: loss of £162.9m).

The refinancing during the year provides the Group with sufficient committed facilities for its expected requirements. Looking forward, the Group remains committed to driving profitability through getting the best possible prices for its products, delivering increased outlets from its new higher margin land and continuing to control costs.

David Thomas
Group Finance Director

Business review

Our performance

This was another year of recovery. We have made good progress in terms of rebuilding the profitability of the Group against a tough market backdrop. The first half was particularly challenging with the end of the Government HomeBuy Direct scheme and reduced customer confidence in light of the Government's Comprehensive Spending Review in October 2010. Whilst we saw greater stability during the second half of our financial year, trading conditions remain challenging in some areas outside the South East. Our London business continues to perform particularly well, reflecting our strong position across the capital.

We delivered a profit from operations before operating exceptional items of £135.0m (2010: £90.1m) at a margin of 6.6% (2010: 4.4%). After operating exceptional items of £7.7m (2010: £15.8m), our profit from operations was £127.3m (2010: £74.3m).

The increase in operating margin before operating exceptional items is explained by a number of factors. We achieved a 1.1% improvement upon revenue per square foot on housebuilding completions and a 1.4% reduction per square foot on housebuilding build costs (including infrastructure). These coupled with other items resulted in a gross margin of 11.2%, a 2.4% increase on the prior year. Administrative costs before exceptional restructuring costs reduced year-on-year from £94.7m to £92.8m. Overall we achieved a 50% improvement in operating margin before operating exceptional items in the year.

Housebuilding

During the year, we operated from an average of 364 (2010: 360) active sites.

Total completions were 11,171 (2010: 11,377) including 93 (2010: 52) from joint ventures in which we have a share. Housebuilding completions totalled 11,078 (2010: 11,325), a decrease of 2.2% reflecting the lower reservation rate during the year, especially in the first half. Housebuilding revenue totalled £1,986.2m (2010: £2,000.1m). Of the housebuilding completions, private were 8,444 (2010: 9,455), and social were 2,634 (2010: 1,870). Social housing completions represented 23.8% of completions in the year, versus 16.5% in the prior year reflecting the higher level of site openings during the period and the phasing of social delivery from existing sites.

Net private reservations per active site per week in the second half were 0.48 (H2 2010: 0.52), a significant improvement on the first half performance (H1 2011: 0.39). For the full year, net private reservations per active site per week were 0.44 (2010: 0.50). The cancellation rate for the full year was 20.6% (2010: 18.0%).

Our average selling price increased by 2.3% to £178,300 (2010: £174,300) as a result of changes in mix. Overall, underlying sales prices were broadly flat in the financial year. However, we have seen variation by region, with relative strength in the South East and in particular London.

Private average selling prices increased by 7.4% to £198,900 (2010: £185,200) primarily due to a number of mix changes including an increased proportion of houses compared to flats and a shift in geographical mix. Seeking to derive the optimum sales price on every plot that we sell has remained a key focus for the business during the year. On private completions, we achieved a 4.5% increase in the average revenue per square foot to £200.3 (2010: £191.7).

Our social average selling price decreased by 6.0% to £112,300 (2010: £119,500) due to changes in mix offset by an increase in the average square footage of our social completions of 1.4% to 810 square foot (2010: 799 square foot).

Whilst the availability of mortgage finance at higher loan to value ratios remains constrained, shared equity products continue to be an important sales tool for the Group. During the year, 22.0% (2010: 27.0%) of our completions used shared equity products. Of these completions, 609 (5.5%) (2010: 1,735 (15.3%)) used HomeBuy Direct and the remainder used our own Headstart or Dreamstart schemes.

We welcome the launch of the Government's new shared equity scheme, FirstBuy, in which we have secured an allocation of £24.9m and seen good early interest. Under FirstBuy, qualifying purchasers will be offered a loan of up to 20% of the value of the property, jointly funded by Barratt and the HCA.

Part-exchange has remained an effective selling tool, with 14.6% (2010: 9.6%) of our completions in the year supported by this. We continue to manage carefully our commitment and exposure to part-exchange properties which stood at £78.9m (2010: £47.6m) at 30 June 2011.

During the year we have continued to drive operational efficiencies from strong build controls, the use of standard house types, waste reduction, central procurement, value engineering and re-planning of sites. Overall, we have seen a reduction in total build costs (including infrastructure) with the cost per square foot reducing by 1.4%. We will continue to work in partnership with our suppliers to find ways to mitigate increases in material costs, driving for lower total cost solutions whilst continuing to maintain our very high build standards. We will also continue to target further cost reductions and efficiency savings by further standardisation of our specifications without compromising brand differentiators or the high quality and safety standards that we operate to.

The benefits of our strategies of optimising the sales price of every plot, controlling our costs and targeted land buying can be seen in the year with a significant improvement in our housebuilding operating margin before operating exceptional items to 6.8% (2010: 4.6%) and 8.0% (2010: 5.9%) for the second half of the financial year. Our housebuilding profit from operations before operating exceptional items for the year was £134.2m (2010: £91.4m). After operating exceptional items of £7.7m (2010: £11.0m), the housebuilding profit from operations was £126.5m (2010: £80.4m).

Commercial developments
Conditions in the commercial property market outside London remain challenging, with both weak economic growth and a constrained lending environment limiting demand. However, despite this, the operating performance from our commercial development segment improved.

Revenue from the commercial developments business totalled £49.2m (2010: £35.1m) with a profit from operations before operating exceptional items of £0.8m (2010: loss of £1.3m). There were no exceptional items (2010: £4.8m) resulting in a profit from operations of £0.8m (2010: loss of £6.1m).

During the year, in addition to delivering 45,000 square foot of stock property disposals, we completed construction of a 867,000 square foot warehouse and distribution centre in Rochdale for JD Sports and we completed the sale of a 73,000 square foot foodstore in South Shields, occupied by Morrisons, to a private investor. We have also exchanged contracts with Sainsbury's to provide a 35,000 square foot foodstore at a site at Chapelford, Warrington, which is scheduled for completion in spring 2012.

On the retail front, we continue to progress our town centre redevelopment schemes including securing a redevelopment agreement for Basildon town centre, in partnership with our housebuilding operations.

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 elsewhere in the South East under the Ward Homes brand. At 30 June 2011, we were selling from 377 (2010: 339) active sites across 25 divisions.

We continue to operate across a broad spectrum of the market, creating homes for sale, shared ownership and affordable rental properties. We also work with Government agencies and housing associations on a diverse range of urban regeneration schemes. Private selling prices during the financial year ranged from £31,500 to £1.5m, with a private average selling price for the year of £198,900 (2010: £185,200).

During the year, we completed 609 (2010: 1,735) homes under the HomeBuy Direct scheme including 448 from the initial allocation of HomeBuy Direct, which ceased at the end of September 2010. In addition to this scheme, we also supported 1,823 (2010: 1,325) purchasers with our own shared equity schemes.

The provision of social housing remains a key component of our activities with 2,634 (2010: 1,870) homes completed during the financial year ended 30 June 2011 at an average selling price of £112,300 (2010: £119,500).

Land and planning
Our strategy has remained to replan existing sites and undertake targeted land buying to deliver future margin growth. We have detailed planning consents in place on 96% (2010: 95%) of land required for 2012 forecast completions and outline consent in respect of an additional 3% (2010: 3%).

Our land bank
Our land bank consists of both owned and controlled plots. At 30 June 2011, we had 60,083 (2010: 62,340) owned and controlled plots consisting of 47,917 (2010: 50,948) owned and unconditional plots and 12,166 (2010: 11,392) plots under conditional contracts. This amounts to a 5.4 year (2010: 5.6 year)

owned and controlled land bank at 2011 financial year completions volumes. In addition, we have c.11,400 (2010: c.11,000) 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.

Strategic land is expected to produce an increasing proportion of our operational land in future years. In the next few years planning consents are expected on c. 15,000 units.

At 30 June 2011, our land bank had a carrying value of £2,189.7m (2010: £2,308.7m) with an average housebuilding cost per plot of £43,600 (2010: £43,100). The average selling price of the plots within our land bank is currently expected to be c. £183,000 giving an average plot cost to average selling price ratio of 24% (2010: 24%).

Our land bank carrying value has been reviewed for impairment at 30 June 2011 and no additional net exceptional impairment charge was required. The impairment review includes an allowance for low single digit house price and build cost inflation. During the year ended 30 June 2011, we have experienced variation in house price movements by region and should the actual house price movements for the current financial year differ from that expected in the impairment review then 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. During the year we continued to invest in land which met our clearly defined hurdle rates in terms of profitability and return on capital, providing attractive returns at current selling prices. For the full year we agreed terms on £454.1m of land purchases, the majority of which we will acquire on the basis of deferred payment. This equates to 88 sites and 8,861 plots of which 86% are for houses. The forecast average selling price on this land is c. £205,000, based on current prices.

Land approvals	Year ended 30 June 2011	Mid-2009 to 30 June 2010
Total approved	£454.1m	£527.2m
Total number of plots	8,861	13,359
Location		
- South : North (by value)	49% : 51%	66% : 34%
- South : North (by plots)	41% : 59%	51% : 49%
Vendor		
- Government : Private (by plots)	10% : 90%	34% : 66%
Type		
- Houses : Flats (by plots)	86% : 14%	77% : 23%

During the financial year, land additions were £395m (2010: £339m) and £261m (2010: £253m) was spent on land resulting in land creditors at 30 June 2011 of £700.7m (2010: £566.8m) of which £349.1m (2010: £266.6m) fall due within one year.

We expect our cash expenditure for land to increase during our 2012 financial year reflecting the payments, 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 in the current financial year. The proportion of our completions which were houses in the financial year was 66% (2010: 60%). Outside London, houses were 74% (2010: 66%) of completions.

At 30 June 2011, detailed planning consents were in place on 96% (2010: 95%) of land required to meet our forecast activity for the 2012 financial year. In addition, we had outline planning consents on a further 3% (2010: 3%) of our forecast completion volumes.

Sustainability

We have previously reported under the title of Corporate Responsibility. However, during the year we have moved to operating under a sustainability policy which is available at www.barrattdevelopments.co.uk and therefore this year we report under that heading.

We have identified and assessed the key sustainability 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. Each is led by a member of the Executive Committee who is responsible for developing and implementing sustainability related objectives and targets to achieve the overall sustainability strategy set by the Board. This ensures that sustainability issues are embedded in the normal course of business and decisions affecting sustainability 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 sustainability report each year that explains our approach and our management of sustainability, governance and risk, and includes the actions we have taken during the year to improve sustainability performance. Sustainability disclosures in this Report and the Sustainability Report, including disclosures on ESG matters, are based on information collected annually and from regular management information. This information is subject to independent review and internal audit.

People

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

The Barratt Academy (the 'Academy') combines professional training (on-site and in the classroom) across three separate roles: apprentices; site managers; and technical/commercial disciplines. The core elements of the Academy include: a dedicated coach for each delegate; departmental rotations; and support for continuous professional development, which leads to a nationally accredited Construction Skills award.

The apprenticeship scheme comprises both trade and technical apprenticeships. Apprenticeships last for two years. The quality of our apprenticeship scheme was recognised in June 2011, when it was highly commended in the Apprenticeships National Awards 2011 for Large Employer of the Year. We are delighted that one of our 2010 apprentices was awarded Apprentice of the Year for the North East region.

We have a graduate development programme which aims to recruit high potential talent into the business. The programme lasts for two years and graduates are given the opportunity to spend time in each of our operational departments, whilst attending business and personal development courses. Alongside the formal training programme, graduates are encouraged to undertake voluntary projects in their local community and as part of their project management module. Our current graduates are working on projects with the homeless charities Centrepoint and Broadway.

In addition we offer specialist skills training in core areas, such as health and safety, construction and design and deliver a suite of internally designed and delivered management and leadership training courses. These are designed to assist employees to develop the skills required to progress from middle management through to senior management and other high performance leadership roles.

During the year, we have remained focused on employee engagement with our fourth annual engagement survey being undertaken in 2011. These bespoke voluntary surveys allow us to develop engagement plans throughout our business to seek to drive further improvement. We continue to recognise outstanding performance of our employees through quarterly and annual divisional awards and annual national awards for Site Managers, Sales Advisers, Apprentices, Individual Excellence and Team Excellence. In addition, we continue to operate an instant recognition scheme and in the year ended 30 June 2011 have given 1,200 prizes or an extra day's holiday to some employees.

The expertise of our construction teams has again been recognised externally, with 80 (2010: 82) 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 seventh consecutive year.

Our target is to have a fully certified Construction Skills Certification Scheme ('CSCS') workforce, including subcontractors. At 30 June 2011, 97% (2010: 97%) of the Group's workforce, including subcontractors, was fully CSCS certified.

Partners
We recognise that we cannot achieve our long-term goals acting independently from our stakeholders and therefore we strive to create and maintain partnerships with stakeholders built on trust, loyalty and mutual respect.

We work with Government agencies and private landowners to identify and bring forward land for development, often improving its environmental condition in the process. We work with suppliers to help them bring forward the new technologies that we need to meet increasingly challenging building standards and with subcontractors to help them improve their environmental and safety standards.

We aim to create communities where people aspire to live and we can only achieve this by working with existing communities. We engage in dialogue with local people and local authorities in order to seek to address any impact that our developments may have on the local environment and infrastructure. We regularly hold public exhibitions for our developments where we invite the community and local authority to talk to our specialist planners and architects about their concerns and aspirations for developments. We also hold an internal annual design competition which promotes high standards of design focused 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 always been concerned with housing affordability issues and have worked closely with financial institutions and Government for a number of years to improve access to mortgage funding for customers. As a result we are currently working with a number of partners to help people gain access to appropriate housing.

We believe the Government's recent announcement of its intention to increase the release of public land to build up to 100,000 new homes is a positive step. Barratt has a good track record of working with public sector partners and should be well positioned to capitalise on this initiative. We are already working on a number of public sector partnership sites including North Prospect in Plymouth, Heritage Park in Silverdale, Staffordshire and Elba Park near Sunderland.

We continue to build the majority of our developments on brownfield sites, with 67% (2010: 70%) of our legal completions in the year being on brownfield land.

Joint venture and partnership opportunities
We continue to explore JV and partnership opportunities which allow us to access projects that may otherwise not be available, or reduce substantially the investment required.

Work on site at Barratt's first major partnership with London & Quadrant, the 27-storey residential tower at Alie Street on the edge of the City of London, started earlier this year. This development will deliver 235 units of which 64 will be affordable housing.

We are pleased to have recently announced our second major 50:50 JV with London & Quadrant to build 375 new private homes beside Arsenal's Emirates stadium. The development will comprise three residential towers with units ranging from studios to penthouses.

Barratt will receive a fee for construction and marketing services as well as 50% of the net profit.

Planet
Our development activities have the potential to impact significantly on the environment and we are subject to a stringent regulatory regime, including planning and technical requirements. We follow an environmental agenda which focuses on managing our environmental impact, by helping our customers to understand this and improving the environmental standards of what we build and making our supply chain more sustainable.

During 2010 we worked with The Carbon Trust to review how we control energy consumption and following this review have introduced an energy efficiency programme to seek to reduce the energy use of our business without impacting upon production. Our recently launched 'Green Team' aims to focus all of our divisions and offices in this area with the aim of reducing our energy usage and cost.

Construction waste segregated on site for recycling
09 – 73%
10 – 91%
11 – 95%

We monitor the proportion of construction waste segregated for recycling on site, which this year improved to 95% (2010: 91%). In addition, all divisions within the Group continue to operate an environmental management system certified to ISO14001 which is subject to regular monitoring and audit.

Customers
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.

Policies
We seek to listen to our customer's needs, whilst providing the highest standards of service and quality, as well as providing value for money. This, along with our 10 point 'Customer Care Charter', ensures we maintain our commitment to understand our customers throughout their journey with us.

New product range
We have carefully considered customer preferences in the development of the Barratt and David Wilson product ranges. Both brands have been updated in the last year with internal layouts designed with modern living in mind, providing free flowing living areas and natural light. The new designs were well received by consumers and we are starting to roll out both new ranges.

Customer feedback indicates that Barratt homes remain value for money and offer customers high quality practical living space. The room proportions have been designed to ensure that they are large enough to accommodate our typical customer's furniture requirements whilst ensuring our external designs are aesthetically pleasing. Due to smart, ergonomic design a Barratt customer can expect a wide range of features, creating great value for money.

Following customer feedback, our David Wilson family homes have been provided with more generous circulation space that delivers an overall sense of grandeur and includes features such as more 'indulgent' kitchens, en suite bathrooms with larger baths and the use of multiple roof lights in bedrooms.

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 as well as tools such as shared equity products and part-exchange.

We recognise that the online market continues to change at a rapid pace. We will continue to enhance our online user experience and quality of content through greater use of e-brochures, video, 360 degree tours, imagery of planned developments and house types, in addition to comprehensive information about the local area. In the last year we have significantly increased the information provided online and this approach is set to continue.

We have already invested heavily in our online capabilities and technology at our sales centres and we continue to upgrade this to seek to ensure that our Sales Advisors can make the sales process as smooth and simple as possible.

Assisting with mortgage products
We also recognise the importance of assisting customers to seek to find suitable financial products 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.

All our divisions and brokers have implemented our Group wide processes for dealing with lenders and surveyors. These ensure that we provide them with transparency in relation to our products and the financial arrangements between the Group and our customers. These standards exceed the industry requirements as specified by the Council of Mortgage Lenders and the processes are subject to regular internal audit.

In addition to existing lenders, we actively pursue relationships with new lenders to the UK new build market in order to support the development of new financial products. Most recently this has taken the form of affordable 'top up loans' on a secured and unsecured basis which give customers access to alternative means of bridging the deposit gap.

Customer satisfaction
Our high quality homes have been recognised independently by the achievement for the second year running of Five Star builder status in the HBF annual customer satisfaction survey. This shows that over 90% of our customers questioned were satisfied with the quality of their new home and would recommend us to a friend.

We monitor customer satisfaction with all of our customers being independently contacted nine weeks after legal completion and asked to complete a survey. Over the last five years these surveys have shown increases in customer satisfaction and we are pleased that in the year ended 30 June 2011 98% (2010: 97%) of our customers would 'Recommend us to a Friend'. We monitor the results of the survey on a monthly basis throughout our business.

Five-year warranty
We are the only volume housebuilder to offer a five-year warranty which covers fixtures and fittings that is additional to the ten-year NHBC warranty on the fabric of the building.

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 Management System. We continually monitor our performance by carrying out regular compliance audits on all sites and by regular management and Board reviews. During the year we carried out over 4,000 monitoring visits and achieved an average of 96% compliance (2010: 96%).

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 2011 our IIR reduced by 7.4% to 539 (2010: 582) per 100,000 persons employed. We are committed to seeking to reduce the IIR year-on-year and we are working with our suppliers, partners and local communities to minimise the risk of injury.

Injury Incidence Rate per 100,000 persons employed
08 – 656
09 – 571
10 – 582
11 – 539

At the NHBC Health and Safety Awards 2011 our site managers were recognised for high health and safety performance - 14 site managers received commended awards of whom seven received highly commended awards and Tony Bird, Site Manager from our Bristol Division, was also awarded the Regional Award for the Central Region.

The prosecution is proceeding against third parties arising from the incident at Bedfont, London in February 2008, where carbon monoxide poisoning from a gas heating system installed by contractors caused the death of one person and left another seriously ill is proceeding. We continue to work closely with the authorities.

Condensed consolidated income statement
for the year ended 30 June 2011

	Notes	**2011 Before exceptional items £m**	**2011 Exceptional items (note 6) £m**	**2011 £m**	2010 Before exceptional items £m	2010 Exceptional items (note 6) £m	2010 £m
Continuing operations							
Revenue	5	**2,035.4**	**–**	**2,035.4**	2,035.2	–	2,035.2
Cost of sales		**(1,807.6)**	**–**	**(1,807.6)**	(1,850.4)	(4.8)	(1,855.2)
Gross profit/(loss)		**227.8**	**–**	**227.8**	184.8	(4.8)	180.0
Administrative expenses		**(92.8)**	**(7.7)**	**(100.5)**	(94.7)	(11.0)	(105.7)
Profit/(loss) from operations	5	**135.0**	**(7.7)**	**127.3**	90.1	(15.8)	74.3
Finance income	7	**18.0**	**–**	**18.0**	13.4	–	13.4
Finance costs	7	**(110.4)**	**(46.5)**	**(156.9)**	(135.0)	(114.1)	(249.1)
Net finance costs	7	**(92.4)**	**(46.5)**	**(138.9)**	(121.6)	(114.1)	(235.7)
Share of post-tax profit/(loss) from joint ventures		**0.1**	**–**	**0.1**	(1.5)	–	(1.5)
Share of post-tax profit from associates		**–**	**–**	**–**	–	–	–
Profit/(loss) before tax		**42.7**	**(54.2)**	**(11.5)**	(33.0)	(129.9)	(162.9)
Tax	8	**(17.2)**	**14.9**	**(2.3)**	9.1	35.4	44.5
Profit/(loss) for the year		**25.5**	**(39.3)**	**(13.8)**	(23.9)	(94.5)	(118.4)
Profit/(loss) for the year attributable to equity shareholders		**25.5**	**(39.3)**	**(13.8)**	(23.9)	(94.5)	(118.4)
Loss per share from continuing operations							
Basic and diluted	9			**(1.4)p**			(14.5)p

Condensed consolidated statement of comprehensive income
for the year ended 30 June 2011

	Notes	**2011 £m**	2010 £m
Loss for the year		**(13.8)**	(118.4)
Other comprehensive (expense)/income			
Amounts deferred in respect of effective cash flow hedges		**(23.6)**	(43.6)
Actuarial gains/(losses) on defined benefit pension schemes	16	**22.0**	(26.3)
Fair value adjustment on available for sale financial assets		**2.5**	–
Tax (charge)/credit on items taken directly to equity	8	**(1.7)**	19.9
Net loss recognised directly in equity		**(0.8)**	(50.0)
Amortisation of losses on cancelled interest rate swaps deferred in equity	7	**–**	0.2
Amounts reclassified to the income statement in respect of hedged cash flows	7	**28.5**	14.1
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur - exceptional		**29.8**	50.1
Tax charge on items taken directly to equity	8	**(16.0)**	(18.0)
Net profit transferred		**42.3**	46.4
Total comprehensive income/(expense) recognised for the year attributable to equity shareholders		**27.7**	(122.0)

Condensed consolidated statement of changes in shareholders' equity at 30 June 2011

	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 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)
Amounts deferred in respect of effective cash flow hedges	–	–	–	(43.6)	–	–	–	–	(43.6)
Amounts reclassified to the income statement in respect of hedged cash flows	–	–	–	14.1	–	–	–	–	14.1
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur - 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
Loss for the year	–	–	**–**	**–**	**–**	**–**	**(13.8)**	**(13.8)**	**(13.8)**
Amounts deferred in respect of effective cash flow hedges	**–**	**–**	**–**	**(23.6)**	**–**	**–**	**–**	**–**	**(23.6)**
Amounts reclassified to the income statement in respect of hedged cash flows	**–**	**–**	**–**	**28.5**	**–**	**–**	**–**	**–**	**28.5**
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur - exceptional	**–**	**–**	**–**	**29.8**	**–**	**–**	**–**	**–**	**29.8**
Fair value adjustments on available for sale financial assets	**–**	**–**	**–**	**–**	**–**	**–**	**2.5**	**2.5**	**2.5**
Actuarial gains on pension scheme	**–**	**–**	**–**	**–**	**–**	**–**	**22.0**	**22.0**	**22.0**
Tax on items taken directly to equity	**–**	**–**	**–**	**(10.4)**	**–**	**–**	**(7.3)**	**(7.3)**	**(17.7)**
Total comprehensive expense recognised for the year ended 30 June 2011	**–**	**–**	**–**	**24.3**	**–**	**–**	**3.4**	**3.4**	**27.7**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**1.8**	**0.4**	**2.2**	**2.2**
At 30 June 2011	**96.5**	**206.6**	**1,109.0**	**(24.6)**	**(5.0)**	**15.0**	**1,532.6**	**1,542.6**	**2,930.1**

* On 23 September 2009 the Company announced a fully underwritten Placing (the 'Placing') and Rights Issue (the 'Rights Issue'), raising gross proceeds of £720.5m. The equity issue was completed on 4 November 2009. 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 2011

	Notes	**2011 £m**	2010 £m
Assets			
Non-current assets			
Other intangible assets		**100.0**	100.0
Goodwill	10	**792.2**	792.2
Property, plant and equipment		**5.6**	6.7
Investments accounted for using the equity method		**102.8**	79.9
Available for sale financial assets	11	**169.4**	136.3
Trade and other receivables		**5.7**	0.8
Deferred tax assets		**143.2**	173.3
Derivative financial instruments – swaps	14	**25.0**	32.7
		1,343.9	1,321.9
Current assets			
Inventories	12	**3,296.8**	3,342.3
Trade and other receivables		**58.7**	66.1
Cash and cash equivalents	13	**72.7**	546.5
Current tax assets		**3.2**	–
		3,431.4	3,954.9
Total assets		**4,775.3**	5,276.8
Liabilities			
Non-current liabilities			
Loans and borrowings	13	**(405.5)**	(918.6)
Trade and other payables		**(352.5)**	(300.8)
Retirement benefit obligations	16	**(11.8)**	(46.1)
Derivative financial instruments – swaps	14	**(37.0)**	(72.4)
		(806.8)	(1,337.9)
Current liabilities			
Loans and borrowings	13	**(11.2)**	(23.2)
Trade and other payables		**(1,027.2)**	(1,012.7)
Current tax liabilities		**–**	(2.8)
		(1,038.4)	(1,038.7)
Total liabilities		**(1,845.2)**	(2,376.6)
Net assets		**2,930.1**	2,900.2
Equity			
Share capital	17	**96.5**	96.5
Share premium		**206.6**	206.6
Merger reserve		**1,109.0**	1,109.0
Hedging reserve		**(24.6)**	(48.9)
Retained earnings		**1,542.6**	1,537.0
Total equity		**2,930.1**	2,900.2

Condensed consolidated cash flow statement
for the year ended 30 June 2011

	Notes	**2011 £m**	2010 £m
Net cash inflow from operating activities	18	**100.2**	291.4
Cash flows from investing activities			
Purchase of property, plant and equipment		**(0.7)**	(0.4)
Acquisition of subsidiaries net of cash acquired		**(1.1)**	–
(Increase)/decrease in investments accounted for using the equity method		**(22.8)**	1.8
Interest received		**4.4**	6.5
Net cash (outflow)/inflow from investing activities		**(20.2)**	7.9
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		**(27.1)**	(49.7)
Other fees related to amendment of financing arrangements		**(8.6)**	(6.5)
Loan repayments		**(518.1)**	(561.3)
Net cash (outflow)/inflow from financing activities		**(553.8)**	68.4
Net (decrease)/increase in cash and cash equivalents		**(473.8)**	367.7
Cash and cash equivalents at the beginning of year		**546.5**	178.8
Cash and cash equivalents at the end of year	13	**72.7**	546.5

Notes to the condensed consolidated financial statements
for the year ended 30 June 2011

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 2011 Annual Report and Accounts which will be circulated to shareholders in October 2011 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 2011 Annual Report and Accounts which have not changed significantly from those adopted in the Group's 2010 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 customers and interest rates.

On 10 May 2011 the Group agreed a complete debt refinancing package. This provides the Group with around £1 billion of committed facilities and private placement notes to May 2015, with some of the Group's arrangements extending as far as 2021. The covenant package is similar to before and the facilities provide appropriate headroom above our current forecast debt requirements.

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 2011, the Group has adopted:

Amendment to IFRS2 'Group cash-settled share-based payment transactions'; Amendment to IFRS1 'Additional Exemptions for First-time Adopters' and 'Limited Exemption from Comparative IFRS7 Disclosures for First-time Adopters'; Amendment to IAS32 'Classification of rights issues'; IFRIC19 'Extinguishing Financial Liabilities with Equity Instruments'; and Improvements to IFRSs (issued in April 2009).

The adoption of these 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.

Basis of consolidation

The Group financial statements include the results of Barratt Developments PLC (the 'Parent Company'), incorporated in the UK, 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.

Associated entities

An associated entity is an entity, including an unincorporated entity such as a partnership, in which the Group holds a significant influence and that is neither a subsidiary nor an interest in a joint venture. Associated entities are accounted for using the equity method of accounting.

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, refinancing costs, 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. All of the Group's operations are within Britain, which is one geographic market in the context of managing the Group's activities.

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 as part of the review of the carrying value of goodwill, by performing a value-in-use calculation, using a discount factor based upon the Group's pre-tax weighted average cost of capital.

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 the defined benefit scheme, 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 in equity within other comprehensive income. Gains and losses arising from impairment losses, changes in future cash flows and interest calculated using the 'effective interest rate' method are recognised directly in the income statement.

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 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
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 2011 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. The majority of the development activity is not contracted prior to the development commencing. Accordingly, the Group has in its balance sheet at 30 June 2011 current assets that are not covered by a forward sale. The Group's internal controls are designed to identify any developments where the balance sheet value of land and work in progress is more than the lower of cost or net realisable value.

As a result of the downturn in the market in 2007/08 and continued market uncertainties, the Group conducts ongoing six-monthly reviews of the net realisable value of its land and work in progress. Where the estimated net realisable value of the site was less than its current carrying value within the balance sheet, the Group has impaired the land and work in progress value. The Group historically recognised exceptional charges in respect of impairment within both the housebuilding and commercial developments business segments. The inception and utilisation of these provisions is set out in the table below:

Year ended 30 June	**Housebuilding**	**Commercial developments**	**Total**
	£m	**£m**	**£m**
Impairment charged			
2008	157.2	51.2	208.4
2009	431.5	68.0	499.5
2010	7.4	4.8	12.2
2011	5.4	–	5.4
Total	601.5	124.0	725.5
Impairment utilised			
2008	–	–	–
2009	262.7	86.3	349.0
2010	91.7	4.8	96.5
2011	71.4	13.8	85.2
Total	425.8	104.9	530.7
Impairment remaining			
2008	157.2	51.2	208.4
2009	326.0	32.9	358.9
2010	241.7	32.9	274.6
2011	175.7	19.1	194.8

In 2011, this review resulted in no (2010: £nil) net exceptional impairment charge for the housebuilding business. Due to performance variations upon individual housebuilding sites, there were gross exceptional impairment charges and reversals of £65.0m (2010: £57.4m). In addition, due to changes arising from normal trading, such as planning status, there was a net inventory impairment charge of £5.4m (2010: £7.4m) included within profit from operations. There was no (2010: £4.8m) net impairment for the commercial

developments business although there were gross impairment charges and reversals of £1.2m (2010: gross impairment of £7.3m and gross reversal of £2.5m) due to performance variations upon individual commercial sites.

Excluding the operating impairment charge of £5.4m (2010: £7.4m), included within gross profit is a benefit of £4.7m (2010: charge of £5.8m) relating to the realisation of written down inventory above its originally estimated net realisable value.

The key judgements in these reviews were estimating the realisable value of a site which is determined by forecast sales rates, expected 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.

At 30 June 2011 the Group had a total land holding of £2,189.7m of which £2,068.8m is land held for current housing development. Of this £494.4m is made up from impaired land, £979.4m consists of non-impaired land purchased prior to mid-2009 where the gross margin is on average c. 10% and the remaining £595.0m has an average gross margin of more than 20% based on current house prices.

In the past six months, in general, the Group has not seen an improvement in underlying prices, but has continued to deliver further cost reductions. If the UK housing market 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.

The land held at the balance sheet date that has already been impaired is most sensitive to the judgements being applied and the potential for further impairment or reversal. Forecasting risk also increases in relation to those sites that are not expected to be realised in the short to medium term. The Group's current forecasts indicate that, by volume, around 25% of the impaired sites are expected to be realised within one year, 16% within one to two years, and 59% in more than two years.

The Group estimates that the impairment sensitivity for the housebuilding business to an immediate uniform fall in house prices across the UK, from those prevailing as at 30 June 2011, is as follows:

Uniform fall in national house prices	**Indicative impairment**
%	**£m**
5	300
10	490

These estimates are illustrative as any changes in house prices have historically tended to be weighted either positively or negatively towards particular geographic regions of the UK, they exclude any sensitivity upon our commercial developments segment. In addition, variances in future build cost inflation from that allowed for in the Group's base calculation would impact upon the impairment sensitivity. The value of impairment is prior to attributing any tax credit that may accrue for future use.

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 is 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 based upon the average capital structure of the Group and current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Changes in these may impact upon the Group's discount rate in future periods. The carrying amount of goodwill at 30 June 2011 was £792.2m with no impairment recognised during the year ended 30 June 2011. Further information is set out in note 10.

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, as part of the review of the carrying value of goodwill, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is based upon the average capital structure of the Group and current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Changes in these may impact upon the Group's discount rate in future periods. The carrying amount of indefinite life brands at 30 June 2011 was £100.0m with no impairment recognised during the year ended 30 June 2011.

Deferred tax assets
At 30 June 2011 the Group recognised a net deferred tax asset of £143.2m comprising of gross deferred tax assets of £175.2m and gross deferred tax liabilities of £32.0m. £157.0m related to losses that arose during the year and preceding years, predominantly as a result of the refinancing and land impairments, 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 taxable profits arising in the same company as the losses originally arose and the Group's expectations regarding future profitability including site revenue and cost forecasts for future years which contain a degree of inherent uncertainty.

Defined benefit pension scheme
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 in place £192.0m (2010: £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 this basis 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 2011, there was a gain of £6.1m (2010: loss of £31.2m) included in equity related to these swaps.

In addition, the Group has $267.2m (2010: $187.2m) 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 2011, there was a loss of £8.2m (2010: gain of £13.6m) included in equity related to these swaps.

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 2011 the asset recognised on the balance sheet was £169.4m (2010: £136.3m).

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.

			2011			2010
	Housebuilding Units	**Commercial developments Units**	**Total Units**	Housebuilding Units	Commercial developments Units	Total Units
Residential completions	**11,078**	**–**	**11,078**	11,325	–	11,325
Income statement	**£m**	**£m**	**£m**	£m	£m	£m
Revenue	**1,986.2**	**49.2**	**2,035.4**	2,000.1	35.1	2,035.2
Cost of sales before impairment of inventories	**(1,764.4)**	**(43.2)**	**(1,807.6)**	(1,819.9)	(30.5)	(1,850.4)
Gross profit before impairment of inventories	**221.8**	**6.0**	**227.8**	180.2	4.6	184.8
Administrative expenses before restructuring costs	**(87.6)**	**(5.2)**	**(92.8)**	(88.8)	(5.9)	(94.7)
Profit/(loss) from operations before impairment of inventories and restructuring costs	**134.2**	**0.8**	**135.0**	91.4	(1.3)	90.1
Net exceptional impairment of inventories	**–**	**–**	**–**	–	(4.8)	(4.8)
Restructuring costs	**(7.7)**	**–**	**(7.7)**	(11.0)	–	(11.0)
Profit/(loss) from operations	**126.5**	**0.8**	**127.3**	80.4	(6.1)	74.3
Share of post-tax profit/(loss) from joint ventures	**0.1**	**–**	**0.1**	(0.9)	(0.6)	(1.5)
Profit/(loss) from operations including post-tax profit/(loss) from joint ventures	**126.6**	**0.8**	**127.4**	79.5	(6.7)	72.8
Finance income			**18.0**			13.4
Finance costs – non exceptional			**(110.4)**			(135.0)
Finance costs – exceptional			**(46.5)**			(114.1)
Loss before tax			**(11.5)**			(162.9)
Tax			**(2.3)**			44.5
Loss for the year from continuing operations			**(13.8)**			(118.4)

Balance sheet	Housebuilding £m	Commercial developments £m	2011 Total £m	Housebuilding £m	Commercial developments £m	2010 Total £m
Segment assets	**4,549.5**	**101.0**	**4,650.5**	4,531.5	126.6	4,658.1
Elimination of intercompany balances			**(94.3)**			(101.1)
			4,556.2			4,557.0
Deferred tax assets			**143.2**			173.3
Current tax assets			**3.2**			–
Cash and cash equivalents			**72.7**			546.5
Consolidated total assets			**4,775.3**			5,276.8
Segment liabilities	**(1,480.0)**	**(42.8)**	**(1,522.8)**	(1,473.4)	(59.7)	(1,533.1)
Elimination of intercompany balances			**94.3**			101.1
			(1,428.5)			(1,432.0)
Loans and borrowings			**(416.7)**			(941.8)
Current tax liabilities			**–**			(2.8)
Consolidated total liabilities			**(1,845.2)**			(2,376.6)

Other information	£m	£m	£m	£m	£m	£m
Capital additions	**0.7**	**–**	**0.7**	0.4	–	0.4
Depreciation	**1.7**	**0.1**	**1.8**	3.5	0.1	3.6

6. Exceptional items

Debt refinancing

The Group agreed a complete debt refinancing package in May 2011 and incurred costs of £46.5m comprising of refinancing fees of £8.6m, accelerated amortisation of previously capitalised refinancing fees of £8.1m and interest rate swap cancellations and adjustments of £29.8m.

During the year ended 30 June 2010 the Group incurred a charge of £114.1m relating to its amended financing arrangements. Details as to the composition of this charge can be found in the Group's Annual Report for the year ended 30 June 2010 which is available on the Company's website www.barrattdevelopments.co.uk.

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 (2010: £nil) further exceptional impairment of the housebuilding inventories and no (2010: £4.8m) further exceptional impairment of the commercial developments inventories. The total net exceptional impairment for the year was £nil (2010: £4.8m). Further details are provided in note 12.

Restructuring costs

During the year ended 30 June 2011, the Group incurred £7.7m (2010: £11.0m) of costs in relation to reorganising and restructuring the business, including redundancy costs of £3.7m (2010: £0.6m).

7. Net finance costs

Recognised in income statement	**2011 £m**	2010 £m
Finance income on short-term bank deposits	**(1.2)**	(0.5)
Imputed interest on available for sale financial assets	**(13.6)**	(7.0)
Other interest receivable	**(3.2)**	(5.9)
Finance income	**(18.0)**	(13.4)
Interest on bank overdrafts and loans	**46.2**	63.7
Amortisation of losses on cancelled interest rate swaps	**–**	0.2
Imputed interest on deferred term land payables	**27.6**	26.5
Finance costs related to employee benefits	**0.9**	1.6
Amounts reclassified to the income statement in respect of hedged cash flows	**28.5**	14.1
Foreign exchange (gains)/losses on US Dollar debt	**(7.0)**	11.9
Amortisation of facility fees	**6.2**	9.4
Imputed interest on Kickstart equity funding	**0.9**	0.2
Other interest payable	**7.1**	7.4
Finance costs before exceptional items	**110.4**	135.0
Net finance costs before exceptional items	**92.4**	121.6
Exceptional finance costs		
Make-whole fee on redemption of private placement notes	**–**	23.9
Hedging termination costs	**29.8**	52.7
Write-off of previous facility unamortised fees	**8.1**	31.0
Other fees related to amendment of financing arrangements	**8.6**	6.5
Exceptional finance costs	**46.5**	114.1
Total finance costs	**156.9**	249.1
Net finance costs	**138.9**	235.7

8. Tax

Analysis of the tax charge/(credit) for the year	**2011 £m**	2010 £m
Current tax		
UK corporation tax on losses for the year	**–**	–
Adjustment in respect of previous years	**(10.5)**	(0.4)
	(10.5)	(0.4)
Deferred tax		
Origination and reversal of temporary differences	**(4.4)**	(46.0)
Adjustment in respect of previous years	**7.6**	1.9
Impact of reduction in corporation tax rate	**9.6**	–
	12.8	(44.1)
Tax charge/(credit) for the year	**2.3**	(44.5)

In addition to the amount charged to the income statement, deferred tax of £17.7m (2010: credit of £1.9m) was charged directly to equity.

Factors affecting the tax charge/(credit) for the year

The tax rate assessed for the year is higher (2010: lower) than the standard rate of corporation tax in the UK of 27.5% (2010: 28.0%). The differences are explained below:

	2011 £m	2010 £m
Loss before tax	**(11.5)**	(162.9)
Loss before tax multiplied by the standard rate of corporation tax of 27.5% (2010: 28.0%)	**(3.2)**	(45.6)
Effects of:		
Other expenses not deductible for tax purposes	**0.4**	1.3
Additional tax relief for land remediation costs	**(1.7)**	(1.6)
Adjustment in respect of previous years	**(2.9)**	1.5
Tax in respect of joint ventures	**(0.1)**	0.4
Tax on share-based payments	**0.2**	(0.5)
Impact of change in tax rate on deferred tax asset	**9.6**	–
Tax charge/(credit) for the year	**2.3**	(44.5)

Legislation reducing the main rate of corporation tax from 28% to 26% with effect from 1 April 2011 was substantively enacted on 29 March 2011. Accordingly, the current year tax charge has been provided for at an effective rate of 27.5% and the closing deferred tax asset has been provided for at a rate of 26%.

An additional reduction in the main rate of corporation tax from 26% to 25% with effect from 1 April 2012 was enacted within the Finance Act 2011 on 5 July 2011. As this reduction was not substantively enacted by the balance sheet date, its effect has not been reflected.

Further reductions in the main rate of corporation tax of 1% per annum to 23% by 1 April 2014 have been announced by the Government but have not yet been substantively enacted, therefore their effect has not been reflected.

The proposed reductions in the main rate of corporation tax from 26% to 23% 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 reduction from 26% to 23% would be to reduce the net deferred tax asset by £16.5m. To the extent that the net deferred tax asset reverses more quickly than this, the impact of the rate reductions 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 £13.8m (2010: £118.4m) 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 961.4m (2010: 815.9m).

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

The (losses)/earnings per share from continuing operations were as follows:

	2011 pence	2010 pence
Basic and diluted loss per share	**(1.4)**	(14.5)
Adjusted basic earnings/(loss) per share	**2.7**	(2.9)

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

	2011 £m	**2011 pence**	2010 £m	2010 pence
Loss for basic and diluted loss per share	**(13.8)**	**(1.4)**	(118.4)	(14.5)
Add: exceptional finance costs	**46.5**	**4.8**	114.1	14.0
Add: exceptional impairment of inventories	**–**	**–**	4.8	0.6
Add: restructuring costs	**7.7**	**0.8**	11.0	1.3
Less: tax effect of above items	**(14.9)**	**(1.5)**	(35.4)	(4.3)
Profit/(loss) for adjusted basic earnings/(loss) per share	**25.5**	**2.7**	(23.9)	(2.9)

Losses are adjusted, removing exceptional finance costs, exceptional impairment of inventories, restructuring costs and the related tax to reflect the Group's underlying profit/(loss).

10. Goodwill

	2011	2010
	£m	£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 relating 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 2011 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 two years of cash flows were determined using the Group's approved detailed site-by-site business plan. The cash flows for the third to 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 12.3% (2010 restated: 11.1%) 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 used in the 30 June 2011 impairment review is calculated using the average capital structure of the Group during the financial year. The sensitivities disclosed below have been recalculated using this discount rate and the comparatives restated accordingly. In the prior year the Group calculated the discount rate using the capital structure of the Group at the balance sheet date. The Directors consider that the use of the average capital structure of the Group during the financial year is more appropriate due to the cyclicality of the Group's borrowing requirements. Accordingly the discount rate of 11.3% quoted in the prior year has been restated as 11.1% to enable comparability between the financial years. Using the capital structure of the Group at the balance sheet date as applied in the prior year, the discount rate would be 12.6% (2010: 11.3%).
- Expected changes in selling prices for completed houses and the related impact upon operating margin: these are determined on a site-by-site basis for the first two years dependent upon local market conditions and product type. For years three to five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.
- Sales volumes: these are determined on a site-by-site basis for the first two years dependent upon local market conditions, land availability and planning permissions. For years three to five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.
- Expected changes in site costs to complete: these are determined on a site-by-site basis for the first two years dependent upon the expected costs of completing all aspects of each individual development 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 three to five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.

The 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 2011 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 was that the recoverable value of goodwill

and intangible assets exceeded its carrying value by £428.5m (2010 restated: £819.6m). Applying the discount rate based upon the capital structure of the Group at the balance sheet date, as used in the impairment review in the prior financial year, the recoverable value of goodwill and intangible assets exceeded its carrying value by £321.4m (2010: £707.5m).

If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reducing by 1.5% per annum (2010 restated: 2.6% per annum) or the appropriate discount rate were to increase by 1.0% (2010 restated: 1.7%) and all other variables were held constant, then the recoverable value of goodwill and intangible assets would equal its carrying value. Further information is given in Critical accounting judgements and key sources of estimation uncertainty.

11. Available for sale financial assets

	2011 £m	2010 £m
At 1 July	**136.3**	86.5
Additions	**40.6**	52.2
Disposals	**(7.3)**	(3.3)
Imputed interest	**13.6**	7.0
Net impairment taken through income statement	**(16.3)**	(6.1)
Fair value adjustment taken through other comprehensive income	**2.5**	–
At 30 June	**169.4**	136.3

Available for sale financial assets principally comprise interest free loans which are granted as part of sales transactions and for which the cash flows receivable are based on the value of the property at redemption. These loans are secured by way of a second legal charge on the respective property (after the first mortgage). 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 £16.3m (2010: £6.1m) in cost of sales.

The net impairment of the available for sale financial assets taken through the income statement relates to borrower default and the impact of the decline in UK house prices on the present value of the estimated future cash flows of these assets.

12. Inventories

	2011 £m	2010 £m
Land held for development	**2,189.7**	2,308.7
Construction work in progress	**1,023.2**	981.4
Part-exchange properties	**78.9**	47.6
Other inventories	**5.0**	4.6
	3,296.8	3,342.3

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 2011 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 (2010: £nil) net exceptional impairment charge for the housebuilding business. Due to performance variations upon individual housebuilding sites, there were gross exceptional impairment charges and reversals of £65.0m (2010: £57.4m). In addition, due to changes arising from normal trading, such as planning status, there was a net inventory impairment charge of £5.4m (2010: £7.4m) included within profit from operations. There was no (2010: £4.8m) net impairment for the commercial developments business, although there were gross impairment charges and reversals of £1.2m (2010: gross impairment of £7.3m and gross reversal of £2.5m) due to performance variations upon individual commercial sites.

The key judgements in these reviews were estimating the realisable value of a site which is determined by forecast sales rates, expected 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 cost inflation in future periods. Further information regarding these judgements is included within critical accounting judgements and key sources of estimation uncertainty.

In the past six months, in general, the Group has not seen an improvement in underlying prices, but has continued to deliver further cost reductions. If the UK housing market 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 £793.1m (2010: £1,208.1m) 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 2011 and included in cost of sales was £1,696.7m (2010: £1,735.2m) including £11.8m (2010: £13.0m) of inventory write-downs incurred in the course of normal trading and a reversal of £0.4m (2010: £1.9m) on inventories that were written down in a previous accounting period, but excluding the £nil (2010: £4.8m) exceptional impairment and £5.4m (2010: £7.4m) operating impairment.

The value of inventories written down and recognised as an expense in 2011 totalled £17.2m (2010: £25.2m), being the £nil (2010: £4.8m) classified as an exceptional impairment, the £5.4m (2010: £7.4m) operating impairment and the remaining £11.8m (2010: £13.0m) incurred in the normal course of trading.

13. Loans and borrowings
a) Net debt
Net debt at the year end is shown below:

	2011 £m	2010 £m
Cash and cash equivalents	**72.7**	546.5
Non-current borrowings		
Bank loans	**(175.2)**	(726.9)
Private placement notes	**(230.3)**	(191.7)
Total non-current borrowings	**(405.5)**	(918.6)
Current borrowings		
Bank overdrafts	–	–
Loan notes	**(0.3)**	(0.3)
Private placement notes	**–**	(11.2)
Kickstart equity funding	**(10.9)**	(11.7)
Total current borrowings	**(11.2)**	(23.2)
Total borrowings	**(416.7)**	(941.8)
Derivative financial instruments		
Foreign exchange swaps	**21.4**	28.4
Net debt	**(322.6)**	(366.9)

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.

The Group's derivative financial instruments at the year end are shown below:

	2011 £m	2010 £m
Foreign exchange swap – exchange rate element	**21.4**	28.4
Foreign exchange swap – interest rate element	**2.6**	3.8
	24.0	32.2
Interest rate swaps	**(36.0)**	(71.9)
Net derivative financial instruments	**(12.0)**	(39.7)

b) Drawn debt facilities

The drawn debt at 30 June comprises:

	2011 £m	2010 £m
Non-current		
Bank loans	**175.2**	726.9
Private placement notes	**230.3**	191.7
Total non-current borrowings	**405.5**	918.6
Current		
Bank overdrafts	**–**	–
Loan notes	**0.3**	0.3
Private placement notes	**–**	11.2
Kickstart equity funding	**10.9**	11.7
Total current borrowings	**11.2**	23.2
Total borrowings	**416.7**	941.8

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

	2011 %	2010 %
Bank loans net of swap interest	**7.4**	8.1
Loan notes	**0.5**	2.0
Private placement notes	**11.5**	11.6

The principal features of the Group's drawn debt facilities at 30 June 2011 were as follows:

i) Committed facilities

- A committed £740.5m revolving credit facility of which £192.0m was drawn at 30 June 2011, made available under a credit agreement dated 5 February 2007 (as amended from time to time and most recently with effect from 10 May 2011). The maturity date on this debt is 26 April 2012.
- A committed £225.0m revolving credit facility of which £nil was drawn at 30 June 2011 made available under a facility agreement dated 2 February 2005 (as amended from time to time and most recently with effect from 10 May 2011). On 10 May 2011, £125.0m of the facility was cancelled and the maturity date on this debt was amended from 16 November 2012 to 26 April 2012.
- A committed £225.0m revolving credit facility of which £nil was drawn at 30 June 2011, made available under a facility agreement dated 9 July 2008 (as amended from time to time and most recently with effect from 10 May 2011). On 10 May 2011, £125.0m of the facility was cancelled and the maturity date on this debt was amended from 16 November 2012 to 26 April 2012.

As part of the May 2011 refinancing, future facility commitments were agreed as follows:

- From 26 April 2012, new committed £770.0m revolving credit facilities, reducing to £680.0m in October 2013, were made available under credit agreements dated 10 May 2011. The maturity date on this debt is 10 May 2015.
- A new £100.0m term loan of which £nil was drawn at 30 June 2011, of which 25% is scheduled to be repaid on 1 July 2019, 25% on 1 July 2020 and 50% on 1 July 2021.

ii) Fixed rate Sterling private placement notes

- The Group repaid £12.0m of fixed rate Sterling private placement notes on their maturity date of 29 October 2010. The remaining £65.8m of fixed rate Sterling private placement notes expire between 23 April 2018 and 23 April 2020.

iii) Fixed rate US Dollar private placement notes

- New US Dollar private placement notes of $80.0m due on 23 August 2017 were issued pursuant to note purchase agreements dated 10 May 2011.
- Existing US Dollar ten-year private placement notes of $42.6m issued pursuant to a note purchase agreement dated 23 April 2008 (as amended from time to time and most recently with effect from 10 May 2011).
- US Dollar five-year private placement notes of $20.6m issued pursuant to a note purchase agreement dated 23 April 2008 (as amended from time to time and most recently with effect from 10 May 2011).
- US Dollar ten-year private placement notes of $124.0m issued pursuant to a note purchase agreement dated 23 August 2007 (as amended from time to time and most recently with effect from 10 May 2011).

iv) Floating rate Sterling loan notes

The Group had £0.3m (2010: £0.3m) Sterling loan notes at 30 June 2011. 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.

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.

		2011		2010
	Asset £m	**Liability £m**	Asset £m	Liability £m
Designated as cash flow hedges				
Non-current				
Interest rate swaps	**–**	**(36.0)**	–	(71.9)
Foreign exchange swaps	**25.0**	**(1.0)**	32.7	(0.5)
Total derivative financial instruments	**25.0**	**(37.0)**	32.7	(72.4)

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 counterparty to cancel the swap in May 2015 at fair value.

Swaps with a notional amount of £288.0m were cancelled during the year following the refinancing. Cumulative losses on interest rate swaps of £29.8m were recognised in exceptional finance costs in the income statement following these cancellations.

As at 30 June 2011 the Group had outstanding net floating rate Sterling debt of £175.5m (2010: £727.2m). 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 £192.0m (2010: £480.0m) 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
60.0	6.08	2017
19.5	6.18	2017
32.5	5.83	2017
30.0	5.94	2022
50.0	5.63	2022
192.0		

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 2011, which is based on third party valuations, was a liability of £36.0m (2010: £71.9m) with a gain of £6.1m (2010: loss of £31.2m) 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.

b) 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 2011 the Group had outstanding fixed rate US Dollar loan notes of $267.2m (2010: $187.2m).

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
80.0	8.14	2017
33.7	9.24	2018
3.6	12.23	2018
5.3	11.37	2018
267.2		

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 match 82% of the interest payments. The fair value of the swap arrangements as at 30 June 2011, which is based on third party valuations, was an asset of £24.0m (2010: £32.2m) with a loss of £8.2m charged (2010: gain of £13.6m credited) directly to equity in the year.

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 to ensure 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 £150.0m. The Group identifies and takes appropriate actions based upon its regular, detailed system for the reporting and forecasting of cash flows from its operations. At 30 June 2011, the Group had committed bank and other facilities of £1,501.6m (2010: £1,615.3m) and total facilities of £1,547.8m (2010: £1,676.5m). The Group's drawn debt against these facilities was £405.8m (2010: £930.1m). This represented 27.0% (2010: 57.6%) of available committed facilities at 30 June 2011. In addition the Group had £72.7m (2010: £546.5m) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2011. 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.

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 2011, the average maturity of the Group's facilities was 3.7 years (2010: 2.6 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	**2011** **£m**	2010 £m
In less than one year	**228.5**	–
In more than one year but not more than two years	–	–
In more than two years but not more than five years	**770.0**	700.0
In more than five years	**100.0**	–
	1,098.5	700.0

In addition, the Group had £46.2m (2010: £61.2m) of undrawn uncommitted facilities available at 30 June 2011.

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 their 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 which 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 2011			
Non-derivative financial assets	**169.4**	**109.5**	**278.9**
Non-derivative financial liabilities	**–**	**(1,644.0)**	**(1,644.0)**
Derivatives	**–**	**(12.0)**	**(12.0)**
	169.4	**(1,546.5)**	**(1,377.1)**
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)

The value of the Group's available for sale financial assets is directly linked to the UK housing market. At 30 June 2011 these assets were carried at a fair value of £169.4m (2010: £136.3m).

Sensitivity analysis
At 30 June 2011, 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 £8.1m (2010: £5.2m) 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 conservative treasury risk management strategy. The proportion of the Group's median gross borrowings calculated on the latest three-year plan that should be at fixed rates of interest is determined by the average expected interest cover for that period. The current target is for 30-60% to be at fixed rates of interest. Due to the cyclicality of our borrowings throughout the year, at 30 June 2011, 99.3% (2010: 70.4%) of the Group's gross borrowings were fixed. Group interest rates are fixed using both swaps and fixed rate debt instruments.

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 2011				
Financial liabilities (excluding derivatives)	**175.5**	**230.3**	**1,238.2**	**1,644.0**
Impact of interest rate swaps	**(192.0)**	**192.0**	**–**	**–**
Financial liability exposure to interest rate risk	**(16.5)**	**422.3**	**1,238.2**	**1,644.0**
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

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 2011 was 2.4% (2010: 3.2%).

Sterling private placement notes of £65.8m (2010: £77.8m) 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 2011 was 11.9% (2010: 11.8%) with, at 30 June 2011 a weighted average period of 7.9 years (2010: 7.7 years) for which the rate is fixed.

US Dollar denominated private placement notes of £145.0m (2010: £125.1m) 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 2011 was 11.0% (2010: 11.2%) with, at 30 June 2011, a weighted average period of 5.9 years (2010: 6.8 years) for which the rate is fixed.

Sensitivity analysis
In the year ended 30 June 2011, 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 £0.4m (2010: £1.8m), the Group's post-tax loss would increase/decrease by £0.3m (2010: £1.3m) and the Group's equity would decrease/increase by £0.3m (2010: £1.3m).

iii) Foreign exchange rate risk
As at 30 June 2011, the Group has fixed rate US Dollar denominated private placement notes of $267.2m (2010: $187.2m). 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 82% of the interest payments and therefore the Group is subject to foreign exchange rate risk upon the remaining 18%.

Details of the Group's foreign exchange swaps are provided in note 14.

Sensitivity analysis
In the year ended 30 June 2011, 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 £0.7m (2010: £0.4m), the Group's post-tax loss would increase/decrease by £0.5m (2010: £0.3m) and the Group's equity would decrease/increase by £0.5m (2010: £0.3m).

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 £169.4m (2010: £136.3m) 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 2011 was £15.8m (2010: £100.0m) of cash on deposit with a financial institution. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

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	**2011 £m**	2010 £m
Group defined contribution schemes consolidated income statement charge	**6.4**	6.5

At the balance sheet date there were outstanding contributions of £0.5m (2010: £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, with effect from 30 June 2009, ceased to offer future accrual of defined benefit pensions. Alternative defined contribution pension arrangements are in place for current employees.

A full actuarial valuation of the Scheme as at 30 November 2010 is being carried out by the Trustees. The preliminary results of this valuation have been updated to 30 June 2011 by a qualified independent actuary. Under the current funding agreement with the Trustees the Group has agreed to make contributions to the Scheme of £13.3m per annum until 30 November 2015 to address the Scheme's deficit. The Group also continues to meet the Scheme's administration expenses, death in service premiums and Pension Protection Fund levy. The Group and Trustees are currently discussing the results of the actuarial valuation at 30 November 2010 and expect to reach a conclusion on this in advance of the statutory deadline which is 29 February 2012.

At the balance sheet date there were outstanding contributions of £1.1m (2010: £1.1m).

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	**2011**	2010
Weighted average assumptions to determine benefit obligations		
Discount rate	**5.50%**	5.40%
Rate of compensation increase	**N/A**	N/A
Rate of price inflation	**3.50%**	3.20%
Weighted average assumptions to determine net cost		
Discount rate	**5.40%**	6.30%
Expected long-term rate of return on plan assets	**5.96%**	6.31%
Rate of compensation increase	**N/A**	N/A
Rate of price inflation	**3.20%**	3.40%

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)	21.6 years	24.8 years
Non-retired member born in 1965 (life expectancy at age 65)	24.5 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 (2.0%)
Rate of inflation	Increase by 0.1%	£3.1m (1.2%)
Life expectancy	Increase by 1 year	£6.3m (2.5%)

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

	2011 £m	2010 £m
Interest cost	**13.1**	12.4
Expected return on Scheme assets	**(12.2)**	(10.8)
Total pension cost recognised in finance costs in the consolidated income statement	**0.9**	1.6
Total pension cost recognised in the consolidated income statement	**0.9**	1.6

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

	2011 £m	2010 £m
Expected return less actual return on Scheme assets	**(18.5)**	(17.6)
(Gain)/loss arising from changes in the assumptions underlying the present value of benefit obligations	**(3.5)**	43.9
Total pension (income)/cost recognised in the consolidated statement of comprehensive income	**(22.0)**	26.3

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:

	2011 £m	2010 £m
Present value of funded obligations	**250.6**	248.3
Fair value of Scheme assets	**(238.8)**	(202.2)
Deficit for funded Scheme/net liability recognised in the consolidated balance sheet at 30 June	**11.8**	46.1

	2011 £m	2010 £m
Net liability for defined benefit obligations at 1 July	**46.1**	31.5
Contributions received	**(13.2)**	(13.3)
Expense recognised in the consolidated income statement	**0.9**	1.6
Amounts recognised in the consolidated statement of comprehensive income	**(22.0)**	26.3
Net liability for defined benefit obligations at 30 June	**11.8**	46.1

A deferred tax asset of £3.1m (2010: £12.9m) has been recognised in the Group balance sheet in relation to the pension liability.

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

	2011 £m	2010 £m
Present value of benefit obligations at 1 July	**248.3**	201.9
Interest cost	**13.1**	12.4
Actuarial (gain)/loss	**(3.5)**	43.9
Benefits paid from Scheme	**(7.3)**	(9.9)
Present value of benefit obligations at 30 June	**250.6**	248.3

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

	2011 £m	2010 £m
Fair value of Scheme assets at 1 July	**202.2**	170.4
Expected return on Scheme assets	**12.2**	10.8
Actuarial gain on Scheme assets	**18.5**	17.6
Employer contributions	**13.2**	13.3
Benefits paid from Scheme	**(7.3)**	(9.9)
Fair value of Scheme assets at 30 June	**238.8**	202.2

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

	2011		2010	
	Percentage of Scheme assets	**Expected return on Scheme assets**	Percentage of Scheme assets	Expected return on Scheme assets
Equity securities	**50.3%**	**7.30%**	51.5%	7.14%
Debt securities	**49.5%**	**4.77%**	47.6%	4.78%
Other	**0.2%**	**0.50%**	0.9%	0.50%
Total	**100.0%**	**6.10%**	100.0%	5.96%

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:

	2011 £m	2010 £m
Actual return on Scheme assets	**30.7**	28.4

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

	2011	2010	2009	2008	2007
Present value of defined benefit obligations (£m)	**(250.6)**	(248.3)	(201.9)	(208.8)	(232.8)
Fair value of Scheme assets (£m)	**238.8**	202.2	170.4	171.6	167.9
Deficit in the Scheme (£m)	**(11.8)**	(46.1)	(31.5)	(37.2)	(64.9)
Experience adjustment in Scheme liabilities (£m)	**6.8**	–	–	11.4	(13.2)
Percentage of Scheme liabilities (%)	**2.7**	–	–	5.5	(5.7)
Experience adjustment in Scheme assets (£m)	**18.5**	17.6	(20.5)	(17.3)	7.6
Percentage of Scheme assets (%)	**7.7**	8.7	(12.0)	(10.1)	4.5
Amount recognised in the consolidated statement of comprehensive income (£m)	**(22.0)**	26.3	14.1	(20.1)	(13.4)
Percentage of Scheme assets (%)	**(9.2)**	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 gain of £15.1m.

The expected employer contribution to the defined benefit pension scheme in the year ending 30 June 2012 is £13.3m.

17. Share capital

	2011 £m	2010 £m
Allotted and issued ordinary shares		
10p each fully paid: 965,341,126 ordinary shares (2010: 965,215,015)	**96.5**	96.5

During the year, 6,841,830 awards of the Company's shares were granted under the Company's Executive Long-Term Performance Plan and 1,491,892 options were granted under the SAYE Scheme.

During the year, 126,111 shares were issued to satisfy early exercises under the 2009 SAYE Scheme.

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 3,858,573 (2010: 3,929,314) ordinary shares in the Company. The cost of the shares held by the EBT, at an average of 120.7 pence per share (2010: 128.8 pence per share) was £4,655,452 (2010: £5,062,765). The market value of the shares held by the EBT at 30 June 2011 at 114.2 pence per share (2010: 94.8 pence per share) was £4,406,490 (2010: £3,724,990). 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

	2011 £m	2010 (restated*) £m
Loss for the year from continuing operations	**(13.8)**	(118.4)
Tax	**2.3**	(44.5)
Finance income	**(18.0)**	(13.4)
Finance costs	**156.9**	249.1
Share of post-tax (profit)/loss from joint ventures	**(0.1)**	1.5
Profit from operations	**127.3**	74.3
Amortisation of deferred loss on swaps	**–**	0.2
Depreciation	**1.8**	3.6
Impairment of inventories – exceptional	**–**	4.8
Impairment of inventories – non exceptional	**5.4**	7.4
Impairment of available for sale financial assets	**16.3**	6.1
Share-based payments charge/(credit)	**1.4**	(0.6)
Imputed interest on deferred term land payables	**(27.6)**	(26.5)
Imputed interest on available for sale financial assets	**13.6**	7.0
Amortisation of facility fees	**(6.2)**	(9.4)
Imputed interest on Kickstart equity funding	**(0.9)**	(0.2)
Write-off of previous facility unamortised fees	**(8.1)**	(31.0)
Finance costs related to employee benefits	**(0.9)**	(1.6)
Total non-cash items	**(5.2)**	(40.2)
Decrease in inventories	**72.1**	186.3
Decrease/(increase) in trade and other receivables	**2.5**	(23.9)
Increase/(decrease) in trade and other payables	**23.2**	198.2
Increase in available for sale financial assets	**(46.7)**	(55.9)
Total movements in working capital	**51.1**	304.7
Interest paid	**(77.5)**	(101.2)
Tax received	**4.5**	53.8
Net cash inflow from operating activities	**100.2**	291.4

* For consistency of presentation of cash flows with the year ended 30 June 2011, £7.4m of non-exceptional inventory impairment has been reclassified in the year ended 30 June 2010. Non-cash items have increased by £7.4m from an outflow of £47.6m to £40.2m and the movement in inventories has reduced by £7.4m from £193.7m to £186.3m.

The balance sheet movements in land and available for sale financial assets include non-cash movements due to imputed interest. Imputed interest is therefore included within non-cash items in the note above.

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 £434.1m (2010: £399.0m), 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

At 30 June 2011, the Group has an obligation to repay £0.9m (2010: £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 their obligations under the terms of the related contracts.

c) Contingent liabilities related to associates

During the year, the Group provided bank guarantees to the value of £3.1m (2010: £nil) to one of its associates.

d) Contingent liabilities related to subsidiaries, joint ventures and associates

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, counterclaims and all other actions and no provision is made where the Directors consider, based on that advice, that the action, claim or counterclaim 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 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 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 12 September 2011, being the last practicable date prior to the publication of this Annual Results Announcement, the risk of a finding of criminal liability against BDW appears 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 Azure Lakes 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 are being pursued against the plumbing and heating sub-contractor selected by BDW for the development, and against an individual registered gas engineer. The criminal charges are understood to include alleged manslaughter caused by gross negligence and breach of gas safety legislation. It is also understood that the criminal trial against these defendants is now scheduled for March 2012. Meanwhile the Police and Health and Safety Executive investigations are still ongoing. Civil 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 2011 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 2011 Annual Report and Accounts.

b) Transactions between the Group and its joint ventures

The Group has entered into transactions with its joint ventures in respect of funding and development management services (with charges made based on the utilisation of these services). These transactions totalled £2.4m (2010: £1.9m) and £0.3m (2010: £0.3m). In addition, one of the Group's subsidiaries, BDW Trading Limited, contracts with a number of the Group's joint ventures to provide construction services.

The amount of outstanding loans and interest due to the Group from its joint ventures at 30 June 2011 was £111.0m (2010: £88.0m) which are included in Group investments. The amount of other outstanding payables to the Group from its joint ventures at 30 June 2011 totalled £nil (2010: £nil). The Group provided bank guarantees to the value of £nil (2010: £26.0m) to its joint venture partners during the year.

c) Transactions between the Group and its associates

The Group has not entered into any transactions with its associates in the year.

The Group provided bank guarantees to the value of £3.1m to one of its associates during the year.

The Group did not have any associates in the year ended 30 June 2010.

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 2011 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 2011 Annual Report and Accounts will be circulated to shareholders in October 2011 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 2011 (as defined in Sections 434 and 436 of the Companies Act 2006) but is derived from the 2011 Annual Report and Accounts and the accounts contained therein. Statutory accounts for 2011 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 16 November 2011. The auditor has reported on these accounts; their report was unqualified and did not contain statements under Section 495 (4)(b) of the Companies Act 2006.

The comparative figures for the year ended 30 June 2010 are not the Company's statutory accounts for the financial year but are derived from those accounts which have been reported on by the Company's auditor and will be delivered to the Registrar of Companies as stated above. The 2011 report of the auditor is unqualified and does not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

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

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, of which the principal risks are identified in the table below. The Group recognises that the management of risk is fundamental to the achievement of Group targets. As such management throughout the Group are involved in this process.

Risk	Description	Relevance to strategy	Mitigation
Market	Changes in the macroeconomic environment including unemployment, buyer confidence, availability of mortgage finance, interest rates, competitor pricing, falls in house prices or land values or a failure of the housing market to recover further, may lead to a fall in the demand for houses which in turn could result in impairments of the Group's inventories, goodwill and intangible assets. Cost reduction measures may adversely affect the Group's business or its ability to respond to future improvements in market conditions.	The majority of homes built by the Group are purchased by individuals who rely on the availability of mortgages. The confidence of buyers and their ability to obtain mortgages or other forms of financing are impacted by the macroeconomic environment. Accordingly, customer demand is sensitive to changes in economic conditions. The Group's ability to grow its business partly depends on securing land or options over sites and having adequate resources to build sufficient homes to meet demand. The Group's ability to do this can be impacted by cash and profit constraints (see also the Liquidity, Land and Construction risks sections below).	A weekly review is undertaken of key trading indicators, including reservations, sales rates, visitor levels, incentives, competitor activity and cash flow projections and, where possible, appropriate management action is taken. The Group's internal systems clearly identify the impact of sales price changes on the margins achievable and as a minimum the Group performs asset impairment reviews twice a year. The Group works with key mortgage lenders to ensure that products are appropriate wherever possible for its customers. The Group has developed a 'Planning for Recovery' programme to seek to ensure that appropriate systems are in place for when market conditions further improve, keeps its cost base tightly controlled and manages cost reduction measures via the stewardship of the Executive.
Liquidity	Unavailability of sufficient borrowing facilities to enable the servicing of liabilities (including pension funding) and the inability to refinance facilities as they fall due, obtain surety bonds, or comply with borrowing covenants. Furthermore there are risks to management of working capital such as conditional contracts, build costs, joint ventures and the cash flows related to them.	The Group maintains committed facilities of different duration that are designed to ensure that it has sufficient available funds for operations. The Group's borrowings are cyclical during the financial year and peak around April/May and October/November each year as, due to seasonal trends in income, these are the calendar points when the Group has the highest working capital requirements. The Group maintains sufficient facility committed debt headroom and in addition has a number of trade finance and surety facilities that are designed to ensure that the Group has sufficient bonds available.	The Group has agreed its debt refinancing which provides around £1 billion of committed facilities and private placement notes to May 2015. 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 regularly stress tested to ensure that adequate headroom within facilities and banking covenants is maintained. On a normal operating basis the Group has a policy of maintaining facility headroom of up to £150m. The Group has a comprehensive regular forecasting process for bond requirements. The Group is in compliance with its borrowing covenants and at the date of approval of the 2011 Annual Report and Accounts, the Group's internal forecasts indicate that it will remain in

Risk	Description	Relevance to strategy	Mitigation
			compliance with these covenants for the foreseeable future being at least twelve months from the date of signing of the 2011 Annual Report and Accounts.
People	Inability to recruit and/or retain employees with appropriate skill sets or sufficient numbers of such employees.	The Group aims to attract, retain and develop a sufficiently skilled and experienced workforce in order to maintain high standards of quality and customer service.	The Group has a comprehensive Human Resources policy which includes apprentice schemes, a graduate programme, succession planning and training schemes tailored to each discipline. The Group continues to target a fully Construction Skills Certification Scheme carded and qualified workforce.
Subcontractors and suppliers	Shortages or increased costs of materials and skilled labour, the failure of a key supplier or the inability to secure supplies upon appropriate credit terms could increase costs and delay construction.	The Group uses subcontractors to perform the majority of work on sites. This retains flexibility to commence work on new sites and enhances the Group's build cost efficiency.	The Group adopts a professional approach to site management and seeks to partner with its supply chain. The Group has a policy of having multiple suppliers for both labour contracts and material supplies and contingency plans should any key supplier fail.
Land	Inability to secure sufficient land of appropriate size and quality to provide profitable growth.	The Group needs to purchase sufficient quantities of good quality land at attractive prices in order to be in a position to commence construction and enhance the Group's ability to deliver strong profit growth as the housing market recovers.	Potential land acquisitions are subject to formal appraisal, with those approved required to achieve an overall Group defined hurdle rate of return and to meet the Company's strategic criteria for growth. 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 senior management and Board level. In addition, each operating division holds weekly land meetings.
Government regulation	Inability to adhere to the increasingly stringent and complex regulatory environment, including planning and technical requirements affecting the housing market and regulatory requirements more generally.	The Group's land portfolio consists of land for the short and medium term as well as strategic land. The Group seeks to meet regulatory and planning requirements to obtain the planning permission required to develop homes and communities.	The Group consults with the Government both directly and through industry bodies to highlight potential issues and has considerable in-house technical and planning expertise devoted to complying with regulations and achieving implementable planning consents. The Group has appropriate policies and technical guidance manuals in place to assist employees to achieve regulatory compliance and the standards of business conduct expected of them.
Construction	Failure to identify and achieve key construction milestones, including: the impact of adverse weather conditions, the failure to identify cost overruns promptly, design and construction defects, and exposure to environmental	The Group builds homes and communities in Britain ranging from houses to large scale flatted developments.	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. Development projects, including returns and cash flows, are monitored regularly by divisional management teams and the Group obtains legal and

Risk	Description	Relevance to strategy	Mitigation
	liabilities could delay construction, increase costs, reduce selling prices and result in litigation and uninsured losses. In addition, large development projects, including commercial developments, are complex and capital intensive and changes may negatively impact upon cash flows or returns.		other professional advice when required. The Group regularly monitors a number of environmental impact indicators, the results of which are disclosed in the Group's Sustainability Report. Appropriate insurance cover is maintained for the Group's main risks.
Health and Safety	Health and safety breaches can result in injuries to employees, subcontractors and site visitors, delays in construction, increased costs, reputational damage, criminal prosecution and civil litigation.	Health and safety is a key issue in the housebuilding sector. Given the inherent risks associated with it and management of it, it is of paramount importance to the Group. Senior management and the Board review health and safety matters on a regular basis and aim to reduce injury incidence rates by implementing policies and procedures aimed at keeping staff and visitors free from injury.	The Group has a dedicated health and safety audit department which is independent of the management of the operating divisions. Health and safety audits are undertaken on a regular basis and processes are modified as required with a view to seeking continuous improvement. Performance is reviewed by the Safety, Health and Environment Committee that meets quarterly. Each month, health and safety reports are cascaded by each division, for review by the Executive Committee and Board, which also receives a direct report every six months from the Safety, Health and Environment Director.
Information Technology	Failure of the Group's IT systems, in particular those relating to surveying and valuation, could adversely impact the performance of the Group.	The ability to be able to optimise prices and ensure operational efficiency is essential to the Group's performance. The Group's integrated management systems enable the Group to maintain tight control especially with regards to surveying and valuation.	A dedicated IT team regularly monitors and maintains Group IT systems to ensure continued functionality. A fully tested disaster recovery programme is 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.

Details of the Group's contingent liabilities are provided in note 19.

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 2011 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 2011 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 2011 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
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 (resigned 21 October 2010)

Approved by order of the Board on 13 September 2011

M S Clare
Group Chief Executive

D F Thomas
Group Finance Director

Registered office

Barratt Developments PLC,
Barratt House,
Cartwright Way,
Forest Business Park,
Bardon Hill,
Coalville,
Leicestershire,
LE67 1UF

Tel: 01530 278 278
Fax: 01530 278 279
www.barrattdevelopments.co.uk

Corporate office

Barratt Developments PLC,
Kent House,
1st Floor,
14-17 Market Place,
London,
W1W 8AJ

Tel: 020 7299 4898
Fax: 020 7299 4851

Company information

Registered in England and Wales. Company number 604574