



BARRATT
DEVELOPMENTS PLC

Annual Report and Accounts 2011

DELIVERING OUR PRIORITIES



WELCOME TO BARRATT DEVELOPMENTS PLC

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



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A clear set of priorities to rebuild profitability



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Front Cover: This four bedroom home offers great living space and is located in a picturesque riverside setting in Bocking, Braintree.

Notice regarding limitations on Director liability under English Law

Under the Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in and omissions from the Report of the Directors contained on pages 2 to 64. Under English Law the Directors would be liable to the Company (but not to any third party) if the Report of the Directors contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Report of the Directors

Pages 2 to 64 inclusive comprise the Report of the Directors which has been drawn up and presented in accordance with and in reliance upon English company law and liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Cautionary statement regarding forward-looking statements

The Group's reports including this document and written information released, or oral statements made, to the public in future by or on behalf of the Group, may contain forward-looking statements. Although the Group believes that its expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.



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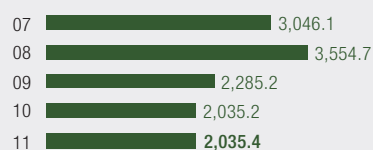
PERFORMANCE HIGHLIGHTS

- Total completions, including joint ventures, were 11,171 (2010: 11,377)
- Private average selling price (excluding joint ventures) up 7.4% 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), with full year operating margin before operating exceptional items increasing to 6.6% (2010: 4.4%)
- Second half housebuild operating margin¹ of 8.0% against 5.9% for the previous year
- Profit from operations was £127.3m (2010: £74.3m) after operating exceptional items of £7.7m (2010: £15.8m)
- The Group returned to profit before exceptional costs for the full year of £42.7m. After exceptional costs the Group made a loss before tax of £11.5m (2010: £162.9m)
- Refinancing package in place providing the Group with c. £1bn of committed facilities and private placement notes improving balance sheet efficiency
- Net debt of £322.6m (2010: £366.9m)

¹ Housebuild margin is profit from operations before operating exceptional costs for the housebuilding segment divided by revenue for the housebuilding segment

Revenue

£m



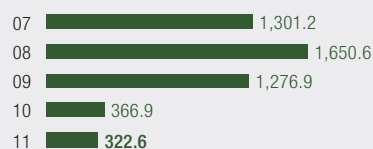
Profit from operations before operating exceptional items

£m



Net debt

£m



OUR BUSINESS MODEL

THE WAY WE WORK

Barratt Developments PLC is one of the nation's largest housebuilders with over 4,000 employees and 25 divisions throughout Britain. In 2010/11 we sold over 11,000 homes. We operate across a broad spectrum of the market from flats to family homes and urban regeneration schemes. We also have a focused commercial developments business.

Where we sell

1. Northern region
Number of completions:
2,054 (18.4%)
2. Central region
Number of completions:
1,734 (15.5%)
3. East region
Number of completions:
2,057 (18.4%)
4. Southern region
Number of completions:
2,009 (18.0%)
5. London
Number of completions:
1,240 (11.1%)
6. West region
Number of completions:
2,077 (18.6%)

Our land



Acquiring the right land is critical to our business and its future profitability. Our experienced land teams use their local knowledge to identify land suitable for development and secure planning permission to enable new homes to be built.

Agreed terms land purchases in 2010/11

£454.1m

Owned and controlled
land bank plots

60,083

(2010: 62,340)

Owned and controlled land bank years based
upon 2011 completion volumes

5.4

(2010: 5.6)

Acres of strategic land

c. 11,400

Planning and communities



We are committed to working closely with local communities and councils to ensure that we can provide the housing that is required to high environmental and design standards.

Detailed planning consents for 2011/12
expected completions

96%

Detailed planning consents for 2012/13
expected completions

70%

Percentage of legal completions in 2010/11
on brownfield land

67%

(2010: 70%)

Houses built to Code Level 3* or above

3,071

(2010: 1,765)

* We aim to secure a position as the lowest cost provider complying with the Code for Sustainable Homes (the 'Code') – see page 11.



Our brands

Our housebuilding business trades under the Barratt Homes, David Wilson Homes and Ward Homes brands. Barratt Homes is the best known housebuilding brand in Britain focusing on traditional housing, flats and urban regeneration. David Wilson Homes has a reputation for producing larger family homes. We also have a strong regional brand, Ward Homes, operating in Kent and the South East. Commercial developments are delivered by Wilson Bowden Developments.



Our homes

We build a variety of homes under our brand names ranging from those for first-time buyers, family homes, high-rise flats and social housing. We seek to match our products with customer demand and local regulation.

Average number of active sites

364
(2010: 360)

Total completions*

11,171
(2010: 11,377)

Average selling price

£178,300
(2010: £174,300)

Number of NHBC 'Pride in the Job' Quality Awards

80
(2010: 82)

Our customers

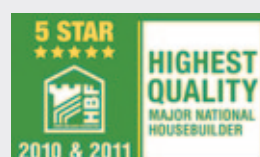
Customer service and satisfaction are of paramount importance to us and our local teams seek to ensure that our customers are satisfied with their new homes.

Proportion of our customers who would 'recommend us to a friend'

98%
(2010: 97%)

Percentage of legal completions in 2010/11 which were social housing

23.8%
(2010: 16.5%)



* Total completions is defined as housebuilding completions (2011: 11,078, 2010: 11,325) plus completions from joint ventures in which the Group has a share (2011: 93, 2010: 52).

CHAIRMAN'S STATEMENT



FOCUSED ON OUR PRIORITIES

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.

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.

"With continuing low levels of new build activity, there remains a fundamental imbalance between annual housing demand and supply..."

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

"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."

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

Below: The Old Cider Works, near Taunton. The regeneration of a former cider plant at the foot of the Quantock Hills.



GROUP CHIEF EXECUTIVE'S REVIEW



GOOD PROGRESS IN CHALLENGING TIMES

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%

"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%)."

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

A clear set of priorities to rebuild profitability

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

Optimising selling prices

We remain focused upon margin improvement through optimising selling prices.

Operational efficiency

We continue to focus upon improving operational efficiency including controlling costs throughout the business.

Targeted land buying

We are investing in land from which we expect to deliver attractive returns in the future.

Delivering our priorities is summarised on page 12.

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

“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.”

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 twelve 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



Left: The Maythorns is a scheme of 95 new homes that lies on the north east side of the popular market town of Biggleswade in Bedfordshire.

Top right: Harry and Audrey Van de Noort purchased a four bedroom detached house at the David Wilson Homes Hartswood Mews development in Takeley, Essex. This was the second home that they had purchased from the Company in six years.

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

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

Top: The Fairways, Camberley, Surrey. A collection of ten 5 and 6 bedroom homes backing onto Camberley Heath Golf Course.
Bottom: Garden room extension offering a light and spacious addition to the Woodbridge at Saffron Gardens, Sawbridgeworth, Hertfordshire.

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

OUR PROGRESS

DELIVERING OUR PRIORITIES

The overriding objective that we have set for the business is to rebuild our profitability. We will do this through focusing upon three key priorities: optimising selling price, operational efficiency and targeted land buying. At the same time we will continue to focus upon our continuing objectives of customer service and quality, investing in our people, the homes that we build, environmental and social responsibility and managing cash flow. Our progress upon these areas is set out below.

Key priorities to rebuild our profitability:

Comments

Optimising selling price

We are focused upon margin improvement through optimising selling prices not pursuing volumes.

The average selling price of our homes in the year was £178,300 (2010: £174,300). The average private selling price of our homes was £198,900 (2010: £185,200) an increase of 7.4% due to changes in geographical mix and further changes in product mix with houses representing 66% (2010: 60%) of our housebuilding completions.

Operational efficiency

We continue to focus upon ensuring operational efficiency including controlling costs throughout the business.

Profit from operations before operating exceptional items was £135.0m (2010: £90.1m), an increase of 50% on the prior year. After operating exceptional items of £7.7m (2010: £15.8m), profit from operations was £127.3m (2010: £74.3m).

Operating margin before operating exceptional items was 6.6% (2010: 4.4%). Operating margin was 6.3% (2010: 3.7%).

Targeted land buying

We are investing in land which we expect to deliver attractive returns in the future.

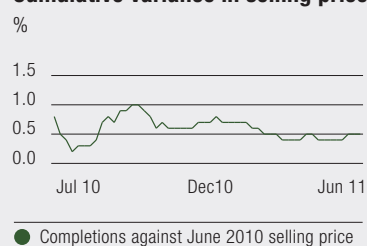
During the year, we have agreed terms on £454.1m of land purchases, the majority of which are on deferred terms. This equates to 88 sites and 8,861 plots of which 86% are for houses.

Land additions during the year were £395m (2010: £339m).

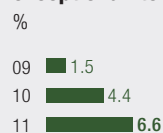
Our owned and controlled land bank consists of 60,083 plots (2010: 62,340) which equates to 5.4 (2010: 5.6) years supply at 2011 completion volumes.

Progress

Cumulative variance in selling price



Operating margin before operating exceptional items¹



¹ Profit from operations was £127.3m (2010: £74.3m). Operating margin was 6.3% (2010: 3.7%).

Owned and controlled land bank plots



Our continuing objectives:

	Comments	Progress						
Customer service and quality We are committed to building quality homes and our teams seek to ensure that our customers are satisfied with their new home.	<p>We continue to make progress in improving customer service and 98% (2010: 97%) of our customers independently surveyed said they would recommend us to a friend.</p> <p>We have maintained our maximum Five Star rating for customer satisfaction awarded by the HBF.</p> <p>Our site managers won 80 (2010: 82) NHBC 'Pride in the Job' Quality Awards, more than any other housebuilder for an unprecedented seventh consecutive year.</p>	Recommend a friend % <table><tr><td>09</td><td>96</td></tr><tr><td>10</td><td>97</td></tr><tr><td>11</td><td>98</td></tr></table>	09	96	10	97	11	98
09	96							
10	97							
11	98							
Investing in our people We recognise that one of our key strengths is our people and have therefore continued to invest in them and their expertise.	<p>During the year many of our employees have benefited from our sales and marketing, construction and leadership development programmes.</p>	CSCS carded workforce % <table><tr><td>09</td><td>95</td></tr><tr><td>10</td><td>97</td></tr><tr><td>11</td><td>97</td></tr></table>	09	95	10	97	11	97
09	95							
10	97							
11	97							
The homes that we build We serve all sectors of the market, creating homes for sale and shared ownership and work with many partners on a range of urban regeneration schemes.	<p>Our wide product range varies from homes for first-time buyers, family homes and flats to social housing. We also have a focused commercial developments business.</p> <p>Total completions for the year were 11,171 (2010: 11,377) including 93 (2010: 52) JV completions in which the Group had a share. Social housing accounted for 23.8% (2010: 16.5%) of completions excluding JVs. The proportion of our completions which were houses in the financial year was 66% (2010: 60%).</p>	Completions (housebuilding) units <table><tr><td>09</td><td>13,202</td></tr><tr><td>10</td><td>11,325</td></tr><tr><td>11</td><td>11,078</td></tr></table>	09	13,202	10	11,325	11	11,078
09	13,202							
10	11,325							
11	11,078							
Environmental and social responsibility We seek to manage environmental, social and governance risks throughout our business.	<p>We continue to make progress developing lower cost solutions to meet increasing environmental standards. During the year we built 3,071 (2010: 1,765) homes that meet Code Level 3 or above.</p> <p>67% (2010: 70%) of our completions in the year were built on brownfield land.</p> <p>Health and safety is of paramount importance for our employees, customers and the public. During the year our Injury Incidence Rate ('IIR') was 539 (2010: 582) per 100,000 employees.</p>	Injury Incidence Rate per 100,000 persons employed <table><tr><td>09</td><td>571</td></tr><tr><td>10</td><td>582</td></tr><tr><td>11</td><td>539</td></tr></table>	09	571	10	582	11	539
09	571							
10	582							
11	539							
Managing cash flow We continue to focus upon managing our cash flow.	<p>Net debt at 30 June 2011 was £322.6m, £44.3m lower than the prior year.</p>	Net debt £m <table><tr><td>09</td><td>1,276.9</td></tr><tr><td>10</td><td>366.9</td></tr><tr><td>11</td><td>322.6</td></tr></table>	09	1,276.9	10	366.9	11	322.6
09	1,276.9							
10	366.9							
11	322.6							

BUSINESS REVIEW



OUR PERFORMANCE

DELIVERING IN CHALLENGING TIMES

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.

Left: Copper Quarter, Swansea. A development of over 550 homes featuring the Barratt i-pad apartment set alongside the Aber Tawe. The development also comprises 1, 2 and 3 bedroom houses utilising our Aspirations range and provides a contemporary range of product in an historic location a few miles from Swansea city centre.

Below: The kitchen/dining area in the Holden show home at the David Wilson Homes development at Teignfields, Chudleigh.



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.

Total completions

11,171

Private average selling price

£198,900

Average selling price

£178,300

Above: The Marlowe five bedroom show home at De Balliol Chase, Bedford. A development to the west of Bedford, it features 52 homes offering a complete range of properties from 1 bedroom apartments through to executive 5 bedroom detached homes.

Right: Kelly Cooper, Sales Adviser with a model of Hayes Mews. A development of 45 homes in Stony Stratford, Milton Keynes.

CASE STUDY SALES AND MARKETING

CUSTOMER SERVICE

We are committed to offering the highest standards of customer service tailored to the needs of our customers. Throughout our business our sales and marketing activity is focused upon each customer and their journey from enquiry through to sale and future recommendation.

Our brands are clearly differentiated within the marketplace and both our Barratt Homes and David Wilson Homes branding have been updated in the last twelve months. We are currently rolling out new product ranges with internal layouts designed around customer preferences for modern living.

We use focused marketing campaigns based upon the values of each brand to drive customer enquiries about our sites. These are carefully targeted to each audience and include the use of the internet, radio and direct mail. During the year we have further developed our online capability to provide enhancements such as e-brochures which today's customers expect.

Our customer call centre enables us to provide a consistent standard of service and deal with high call volumes helping customers to easily contact us. Once a customer has contacted our call centre their details are passed to the relevant Sales Adviser to enable them to quickly start to help the customer with their home purchase.

In order to offer each customer the highest standards of customer service we have continued to invest in training our Sales Advisers. Each Sales Adviser has a personalised Sales Development Tracker to ensure that they continually develop and learn new skills. We have also invested in the IT infrastructure for our sales centres, which are all equipped with I-Sales providing website capability and access to our customer database enabling efficient and timely follow up of a customer's enquiry.

Once a customer has chosen their future home, we offer a range of targeted discounts and incentives including FirstBuy, our own shared equity products, part-exchange, armed forces discounts and parental help schemes. They can also personalise their new home using our Choices scheme. This offers options ranging from carpets and curtains to our in-house manufactured fitted bedroom furniture.

Every customer is independently contacted nine weeks after legal completion and asked to complete a survey to enable us to monitor their satisfaction. In the year ended 30 June 2011, 98% (2010: 97%) of our customers would 'Recommend us to a Friend'.



OUR PERFORMANCE



CREATING NEW COMMUNITIES

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

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).

Above: The interior of 'The Galsworthy' a five bedroom family home at St Mary's Park, Hartley Wintney.



CASE STUDY LONDON

DALSTON SQUARE: CREATING A COMMUNITY

In London our expertise enables us to deliver technically challenging schemes which create new communities. An excellent example of this is Dalston Square where we are delivering 553 units, of which 90 were legally completed in the 2010/11 financial year. We expect that the entire scheme will be completed by summer 2013.

This site was acquired from the London Development Agency ('LDA') and Hackney Borough Council in conjunction with Transport for London. We were selected on our track record for delivery and good working relationship with the LDA. It is a challenging site including four towers constructed on top of a new railway station. In order to minimise any vibrations from the trains below, vibration pads have been installed and the towers have been constructed using steel rather than concrete.

The development provides much needed affordable housing and 1, 2, 3 and 4 bedroom flats incorporating energy efficiency measures including green roofs and combined heat and power. Many of the flats incorporate winter gardens. The development provides a lasting legacy for the community including the construction of a major new public square and commercial space including a new library.

LAND AND PLANNING

PLANNING TO DELIVER FUTURE GROWTH

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 approvals since mid-2009

	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%



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.

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.

“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.”



Left: Ashdown Place sits in the pretty village of Five Ash Down near the market town of Uckfield and the open expanse of Ashdown Forest.

SUSTAINABILITY

COMMITTED TO OUR PHILOSOPHIES

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 Centrepont 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 performance leadership roles.

During the year, we have remained focused on employee engagement with our fourth annual engagement survey being undertaken in 2011. These

"We work with Government agencies and private landowners to identify and bring forward land for development, often improving its environmental condition in the process."

Left: Simon Jones, Regional NHBC award winner 2010.

Below top: Luke Rawlins and Lauren Davis purchased at Lancaster Gardens, Witham St Hughs with the help of our armed forces discount scheme.

Below bottom: Children from Oakwood Community Play Group watching a demonstration by machine operators.

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.

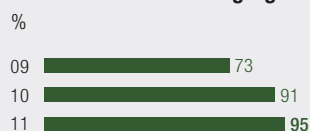
Barratt will receive a fee for construction and marketing services as well as 50% of the net profit.

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



“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.”

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.



Proportion of construction waste segregated for recycling on site

95%

Percentage of our customers who would 'recommend us to a friend'

98%

Number of our site managers winning NHBC 'Pride in the Job' Quality Awards

80

Left: Work begins at North Prospect, Plymouth, a major regeneration project in partnership with Plymouth Community Homes and Plymouth City Council, part-funded by the HCA.

Above: The Fairways, Biddenham Vale the winner of our internal design competition in the non-standard category, 2010.

Above right top: A team of our graduates reach the summit of Ben Nevis, the first mountain in the Three Peaks 24 hour challenge whilst raising money for charity.

Above right below: Ben and Vikki Dale used our part-exchange scheme in their move to Ashdown Place, Uckfield, East Sussex.

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 Advisers can make the sales process as smooth and simple as possible.

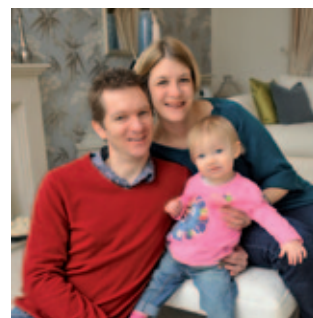
Assisting with mortgage products

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,



CASE STUDY REGENERATION

ELBA PARK: WORKING IN PARTNERSHIP

At Elba Park, Sunderland we are working, in partnership, with the Homes and Communities Agency ('HCA'), Sunderland City Council, and Isos Housing Group to deliver a groundbreaking, sustainable, mixed community. The site is located on the former Lambton Cokeworks, a 65 hectare site that was in continuous heavy industrial use for over 360 years and is the home to the finest preserved example of one of the world's oldest railways.

As part of the National Coalfields Regeneration Scheme the HCA invested £25m in reclaiming the land to create not only the development platform but a new 52 hectare Country Park containing water features, 77,000 new trees, public artworks and memorials and 3,700 metres of new footpaths.

We were chosen as the HCA's preferred partner via the

Competitive Dialogue Process where the Group demonstrated its commitment to the development and its partners by sharing their visions in terms of Design, Build Standard, Health and Safety, Materials Procurement, Training and Employment Initiatives, Community Engagement, Ecology and Sustainable Living, Programme Delivery and Performance.

We are currently on site with this groundbreaking partnership delivering a total of 359 contemporarily designed new homes under the David Wilson brand. These comprise of a mix of 2, 3, 4 and 5 bedroom houses including executive homes, family homes and affordable homes. All homes are constructed to HCA Space Standards, Lifetime Homes Standard and at Level 4 of the Code for Sustainable Homes.



Injury Incidence Rate

per 100,000 persons employed



“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...”

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.

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.



Above: A stunning mixed-use regeneration project, transforming the 1930's Art Deco Wallis House, and creating 787 homes, shops, offices, hotel and a landscaped piazza, in Brentford, Hounslow.

GROUP FINANCE DIRECTOR'S REVIEW



DRIVING PROFITABILITY AND REDUCING NET DEBT

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 completions¹ decreased by 1.8% to 11,171 (2010: 11,377).
- Profit from operations before operating exceptional items² increased by 50% to £135.0m (2010: £90.1m).
- Operating exceptional items² 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 items² was 6.6% (2010: 4.4%).
- Loss before tax was £11.5m (2010: £162.9m).
- Adjusted profit per share before exceptional items³ 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 opposite shows the respective contributions for these segments to the Group.

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

Revenue

£m

07	3,046.1
08	3,554.7
09	2,285.2
10	2,035.2
11	2,035.4

Profit from operations before operating exceptional items

£m

07	513.3
08	550.2
09	34.2
10	90.1
11	135.0

Segmental analysis

	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

Operating margin before operating exceptional items¹

%

07	16.9
08	15.5
09	1.5
10	4.4
11	6.6

¹ Profit from operations was £127.3m (2010: £74.3m).
Operating margin was 6.3% (2010: 3.7%).

(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 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

Operating profit before operating exceptional items

£135.0m

Operating profit

£127.3m

Adjusted profit per share before exceptional items

2.7p

- 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).

Net assets¹

£m

07	2,907.6
08	2,867.8
09	2,331.6
10	2,900.2
11	2,930.1

¹ Net assets in 2007 and 2008 were restated as disclosed in the 2009 Annual Report and Accounts.

Net debt

£m

07	1,301.2
08	1,650.6
09	1,276.9
10	366.9
11	322.6

Net interest paid²

£m

07	27.8
08	130.6
09	151.6
10	94.7
11	73.1

² Net interest paid comprises interest paid of £77.5m (2010: £101.2m) and interest received of £4.4m (2010: £6.5m).

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 pensions 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

"During the year, the Group has successfully driven improvements in profitability through optimising sales prices, tight cost control and reducing the interest charge."

Land bank value

£2,190m

Land additions

£395m

Committed facilities and private placement notes to May 2015

c.£1bn

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

PRINCIPAL RISKS AND UNCERTAINTIES

KEEPING CONTROL OF OUR BUSINESS

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.

<i>Risk and description</i>	<i>Relevance to strategy</i>	<i>Mitigation</i>
<p>Market</p> <p>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.</p> <p>Cost reduction measures may adversely affect the Group's business or its ability to respond to future improvements in market conditions.</p>	<p>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.</p> <p>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).</p>	<p>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.</p> <p>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.</p> <p>The Group works with key mortgage lenders to ensure that products are appropriate wherever possible for its customers.</p> <p>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.</p>
<p>Liquidity</p> <p>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.</p>	<p>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.</p> <p>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.</p>	<p>The Group has agreed its debt refinancing which provides around £1 billion of committed facilities and private placement notes to May 2015.</p> <p>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.</p>

<i>Risk and description</i>	<i>Relevance to strategy</i>	<i>Mitigation</i>
Liquidity (continued)		<p>The Group has a comprehensive regular forecasting process for bond requirements.</p> <p>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 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.</p>
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.

Risk and description	Relevance to strategy	Mitigation
<p>Land</p> <p>Inability to secure sufficient land of appropriate size and quality to provide profitable growth.</p>	<p>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.</p>	<p>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.</p>
<p>Government regulation</p> <p>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.</p>	<p>The Group's land portfolio consists of land for the short and medium term as well as strategic land.</p> <p>The Group seeks to meet regulatory and planning requirements to obtain the planning permission required to develop homes and communities.</p>	<p>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.</p> <p>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.</p>
<p>Construction</p> <p>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 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.</p>	<p>The Group builds homes and communities in Britain ranging from houses to large scale flatted developments.</p>	<p>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 other professional advice when required.</p> <p>The Group regularly monitors a number of environmental impact indicators, the results of which are disclosed in the Group's Sustainability Report.</p> <p>Appropriate insurance cover is maintained for the Group's main risks.</p>

<i>Risk and description</i>	<i>Relevance to strategy</i>	<i>Mitigation</i>
<p>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.</p>	<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>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.</p>	<p>A dedicated IT team regularly monitors and maintains Group IT systems to ensure continued functionality. A fully tested disaster recovery programme is in place.</p>

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 25 on pages 101 to 106 of this report.
Details of the Group's contingent liabilities are provided in note 33 on page 119.

BOARD OF DIRECTORS AND COMPANY SECRETARY



Robert Lawson
CHAIRMAN

Bob Lawson was appointed a Non-Executive Director on 1 June 2008 and Chairman on 1 July 2008. He is the Chairman of the Nomination Committee and a member of the Remuneration Committee. Bob is also the Non-Executive Chairman of Genus plc and a Director of The Federation of Groundwork Trusts. He was formerly the Chairman of Hays plc, Managing Director of the Vitec Group for three years and Chief Executive of Electrocomponents plc for ten years.



Mark Clare
GROUP CHIEF EXECUTIVE

Mark Clare was appointed Group Chief Executive on 2 October 2006 and is a member of the Nomination Committee. He is also currently a Trustee and Director of the BRE Trust and UKGBC Limited. He was formerly an Executive Director of Centrica plc and Managing Director of Centrica's British Gas Residential Energy operation. He joined British Gas in 1994, becoming Centrica's Finance Director in 1997 and Managing Director of British Gas Residential Energy in 2002.



Robert Davies
SENIOR INDEPENDENT DIRECTOR

Bob Davies was appointed a Non-Executive Director on 5 May 2004. He is the Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. He is currently the Chairman of Euroports Holdings S.a.r.l. and a member of the Investment Advisory Board for North East Finance. He was previously a Non-Executive Director of Northern Rock (Asset Management) plc, Chairman of Biffa, a Non-Executive Director of British Energy Group plc, the Chief Executive of Arriva plc and the chair of the Board of Governors of Sunderland University. He was also the Chairman of the CBI Regional Council in the North East and a Non-Executive Director of Sunderland ARC urban regeneration company.



Tessa Bamford
NON-EXECUTIVE DIRECTOR

Tessa Bamford was appointed a Non-Executive Director on 1 July 2009 and is a member of the Remuneration and Nomination Committees. Tessa is also a Non-Executive Director of Wolseley plc, a consultant at Spencer Stuart and a Governor of the British Institute of Florence. Tessa was formerly a Director of Cantos Communications Limited and a Director of J Henry Schroder & Co with whom her career spanned over 12 years in various roles.



David Thomas
GROUP FINANCE DIRECTOR

David Thomas was appointed an Executive Director and Group Finance Director on 21 July 2009. He was formerly the Group Finance Director and the Deputy Chief Executive of The GAME Group plc. Before that he was the Group Finance Director at Millennium and Copthorne Hotels plc and held senior financial roles with House of Fraser plc and Forte plc.



Steven Boyes
GROUP BOARD EXECUTIVE DIRECTOR

Steven Boyes was appointed to the Group Board in 2001 and is responsible for the Group's operations in the Northern, Central and East regions. He also has responsibility for a number of Group functions including procurement, commercial, technical and design and the urban regeneration unit which specialises in large scale partnership schemes with the public sector and housing associations. Steven joined the Group in 1978, became Technical Director and then Managing Director of Barratt York before being appointed Regional Director for Barratt Northern in 1999.



Clive Fenton
GROUP BOARD EXECUTIVE DIRECTOR

Clive Fenton was appointed to the Group Board in July 2003 and is responsible for the Group's operations in the London, Southern and West regions. He also has responsibility for partnership homes which acts as the co-ordinator for all Government affordable housing initiatives. He qualified as a Chartered Accountant before joining the Group in 1983. He became Finance Director of Barratt East London in 1994 and Managing Director of Barratt West London in 1996.



Roderick MacEachrane
NON-EXECUTIVE DIRECTOR

Rod MacEachrane was appointed a Non-Executive Director on 1 May 2006 and is a member of the Audit, Nomination and Remuneration Committees. He is a member of the Governing Board of the National House-Building Council ('NHBC') Foundation, an independent charitable research foundation which is a joint venture with the BRE and a Director of the National Centre for Excellence in Housing. He was formerly the Commercial Director and an Executive Director of the NHBC Main Board before retiring after 25 years' service in April 2006.



Mark Rolfe
NON-EXECUTIVE DIRECTOR

Mark Rolfe was appointed a Non-Executive Director on 1 May 2008. He is the Chairman of the Audit Committee and is a member of the Nomination Committee. Mark is also a Non-Executive Director of The Sage Group plc, Hornby plc and Debenhams plc and Chairman of Lane Clark & Peacock LLP. He was formerly the Finance Director of Gallaher Group plc for seven years until April 2007 when it was acquired by Japan Tobacco Inc. His career with Gallaher spanned 20 years during which time he served in various finance and executive roles.



Tom Keevil
**GROUP GENERAL COUNSEL AND
COMPANY SECRETARY**

Tom Keevil was appointed Group General Counsel and Company Secretary at the beginning of April 2011. Tom was previously the Group General Counsel and Company Secretary of United Utilities Group PLC (2007-2011) and Gallaher Group plc (2001-2007), which he joined in 2000. Prior to this, he was a partner at international law firm Simmons and Simmons, which he joined in 1984. Tom is a Non-Executive Director of the Solicitors Regulation Authority and a Fellow of the Chartered Institute of Arbitrators.

CORPORATE GOVERNANCE



Introduction from the Chairman

The Board believes that, in terms of the overall direction and control of Barratt Developments PLC (the 'Company'), effective corporate governance comes principally from the establishment and maintenance of values, standards and disciplines the Company seeks to apply in dealings with shareholders, customers, employees, suppliers, contractors and other stakeholders. The Board's stewardship of these matters and its role in providing appropriate guidance is pivotal to this ethos. Many of the Company's core values and standards are set out in a range of procedures and practice guidelines communicated throughout the Barratt Group of companies (the 'Group'). External governance codes also set the framework for the Group's internal standards and it therefore seeks to comply with established best practice in all areas of corporate governance.

Statement of compliance with Code provisions

The Company recognises the importance of seeking to maintain the highest standards of corporate governance in all areas of its business. In June 2010, the Financial Reporting Council (the 'FRC') published the new UK Corporate Governance Code (the 'Code'), a copy of which is available from the FRC's website (www.frc.org.uk). The Code applied to the Company with effect from 1 July 2010. Being committed to operating in accordance with the highest standards of corporate governance, the Company has now implemented the requirements of the Code, including those relating to the submission of all directors for annual re-election at the annual general meeting to be held on 16 November 2011 (the '2011 AGM'). Throughout the year ended 30 June 2011 the Company complied with Section 1 of the Code, details of which can be found below.

Risk management and internal controls

A key focus of the Code is risk management and the responsibility of boards to determine the nature and extent of the risks they are willing to take in achieving strategic corporate objectives, as well as including an explicit obligation for boards to review the effectiveness of risk management systems and internal control. For the Group, risk appears in many forms and can fall into any one of several categories such as: market; liquidity; people; subcontractors and suppliers; land; Government regulation; Construction; Health and Safety and IT. As there is no single solution for managing such a diverse range of risks, the Board dedicates considerable time to discussing the risks affecting the Group

and mitigation against them. The principal risks and uncertainties of the Group, their relevance to the Group's business and the Board's mitigation strategies are set out at pages 32 to 35.

The Company has a clear focus on identifying and managing risk. To enhance this, the management risk committee, established during the 2009/10 financial year, undertook a review of a number of specific risks affecting the business and reported its findings to the Audit Committee, who took into account these findings when carrying out its review of the effectiveness of the Company's risk management and internal control systems on behalf of the Board.

Shareholder engagement

In July 2010 the FRC introduced the UK Stewardship Code which aims to enhance the quality of engagement between the Company and its institutional investors to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. The Board recognises the importance of maintaining an ongoing relationship with the Company's shareholders and achieves this through regular dialogue with shareholders on issues such as the macroeconomy, the availability of mortgage lending to customers, strategy, performance and governance.

The Board

In January 2011 the Board met for its annual strategic review to discuss the Company's growth plans and a number of strategic issues. The continuing reluctance of financing institutions to provide third party debt for housebuilding and commercial projects, the issues created by constraints on mortgage lending and alternative financing structures were amongst the matters explored.

The challenges facing the housing market continue but I believe that the Company's senior management and employees remain totally committed to delivering improving performance and shareholder value.

Robert Lawson
CHAIRMAN

The Board Composition

The names, responsibilities and other details of the Board Directors are set out on pages 36 and 37. The Board met on 11 occasions during the financial year.

Board responsibilities

The Company is led and controlled by the Board which has overall responsibility for the conduct of the business of the Group. The Board is responsible for setting the strategic direction of the Group and ensuring that it has adequate resources and appropriate controls, values and standards in place to deliver its strategy. Each Board Director is aware of his/her responsibilities, individually and collectively, to promote the long term success of the Company. There are a number of matters that have been specifically reserved for the Board and these include: approval of the strategy and management of the Group; ensuring adequate financial resources are available; half-yearly and annual results; interim management statements and trading updates; dividend and treasury policies; internal control and risk management systems and processes; material investments/transactions; and approval of core policies relating to, amongst other matters, Health and Safety and Employee Conduct.

Board Committees

The Board has established three standing Committees to which it has delegated specific responsibilities: the Audit Committee (pages 44 and 45); the Remuneration Committee (pages 48 to 59); and the Nomination Committee (pages 42 and 43). Each Committee is provided with sufficient resources to undertake the duties delegated to them and is able to seek advice from the Group General Counsel and Company Secretary and external advisers, as appropriate. Membership and attendance of the Board and of each of its Committees are shown in Table 1. Each of these Committees (and the Board) completed annual effectiveness reviews (see page 41).

Table 1 – Membership and attendance at Board and Committee Meetings

	The Board	Audit Committee	Remuneration Committee	Nomination Committee
	Chairman			Chairman
Bob Lawson	11/11	–	5/5	2/2
Mark Clare*	11/11	–	–	1/2
Steven Boyes	11/11	–	–	–
Clive Fenton	11/11	–	–	–
David Thomas	11/11	–	–	–
		Chairman		
Bob Davies	11/11	4/4	5/5	2/2
Rod MacEachrane	11/11	4/4	5/5	2/2
Tessa Bamford*	11/11	–	4/5	2/2
		Chairman		
Mark Rolfe*	10/11	4/4	–	2/2
William Shannon**	3/3	1/1	2/2	–

* Mark Rolfe, Tessa Bamford and Mark Clare explained the reasons for their absence to the Chairman prior to the meetings they were unable to attend.

** William Shannon resigned from the Board and stepped down from his Committee memberships on 21 October 2010.

11/ Indicates number of meetings attended whilst a Director and /11 Indicates number of meetings held whilst a Director.

Board independence and balance

At the end of the financial year the Board comprised nine members, including the Chairman, four Non-Executive Directors and four Executive Directors. The Board therefore believes that it has the appropriate balance of Executive and independent Non-Executive Directors having regard to the size and nature of the business and continuing need to keep its cost base under tight control. In addition, the combination of the make-up and calibre of the Non-Executive Directors collectively, having regard to their diverse backgrounds and experience and their varying lengths of service, further enhances this balance.

The Board believes that all of the Non-Executive Directors are independent in that they have no business or other relationship with the Group that might influence their independence or judgement. Details of their interests as shareholders are contained in Table 6 on page 56 of the Remuneration report.

Bob Lawson was appointed Non-Executive Chairman of the Company with effect from 1 July 2008 and was considered to be independent on his appointment. Bob Lawson's other significant commitments, his Non-Executive Chairmanship of Genus plc and his directorship of The Federation of Groundwork Trusts, do not impinge upon his availability to fulfil his duties to the Company. Bob retired from his position as Non-Executive Chairman of Hays plc in November 2010.

Roles of Chairman, Chief Executive and Senior Independent Director

The division of responsibility between the Chairman of the Board and the Group Chief Executive is clearly defined in writing and has been approved by the Board.

The Chairman, Bob Lawson, leads the Board in the determination of strategy and in the achievement of its objectives. He is responsible for: organising the business of the Board; setting its agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues; facilitating the effective contribution of the Non-Executive Directors and constructive relations between Executive and Non-Executive Directors; ensuring that the Board receives timely and accurate information so as to properly conduct its business; and ensuring effective communication with shareholders. The Chairman is supported by the Group General Counsel and Company Secretary in carrying out these duties.

Mark Clare, the Group Chief Executive is responsible for the day-to-day management of the operational activities of the Group in accordance with overall strategy and policy as determined by the Board. He carries out duties delegated to him by the Board through an Executive Committee comprising of the Executive Directors, the Group General Counsel and Company Secretary, Tom Keevil, the Managing Director of Wilson Bowden Developments Limited, Nick Richardson, the Group Director of Corporate Affairs, Patrick Law, the Group People and Customer Experience Director, Jayne Mee and the Marketing Director, Jeremy Hipkiss. The Executive Committee meets on a weekly basis to review operational matters and also undertakes more in-depth monthly reviews.

The current Senior Independent Director, Bob Davies, has specific responsibility for evaluating the performance of the Chairman, at least annually, with the other Non-Executive Directors (excluding the

Chairman) having consulted the Executive Directors beforehand. He is also responsible for ensuring that, where required, he is available to shareholders to (i) address any material issues or concerns which the Chairman and/or Group Chief Executive have failed to resolve, and (ii) listen to their views in order for the Company to gain a balanced understanding of their issues and concerns.

Directors' conflicts of interest

On 1 October 2008, the Companies Act 2006 (the 'Act') codified the duty to avoid conflicts of interest, by which Directors have a duty to avoid a situation in which they have, or may have, a direct or indirect conflict of interest or possible conflict of interest with the Company. This duty applies to the exploitation of any property, information or opportunity regardless of whether the Company could have taken advantage of it. The Company's Articles of Association (the 'Articles') were amended at the annual general meeting held on 18 November 2008 to include a general power for the Board to authorise such conflicts.

The Board has, in accordance with the Articles and best practice guidance, authorised the Nomination Committee to oversee the process for reviewing and making recommendations to the Board concerning any actual and/or potential conflicts of interest which arise or may arise in relation to each member of the Board including details of any terms and conditions which it deems necessary to impose on any authorisation given. This process was carried out satisfactorily during the year.

The Group General Counsel and Company Secretary maintains a Register of Directors' conflicts of interest which is reviewed annually. Following this review the Group General Counsel and Company Secretary will make recommendations to the Board in respect of any changes to the authorisations, or terms and conditions applied, that may be required. Each Director is responsible for notifying, and is aware of their responsibility to notify, the Chairman and/or the Board of any new conflicts or possible conflicts and of any change in circumstances relating to authorisations already given. The Board, when authorising any conflict or possible conflict of interest, does not count in the quorum the Director whose conflict or possible conflict is being discussed and reserves the right to exclude a Director from a meeting whilst a conflict or possible conflict is being considered. The Board may revoke or vary any authorisation at any time.

Re-appointment of Non-Executive Directors

Non-Executive Directors are appointed, subject to re-election by shareholders and statutory provisions relating to the removal of directors, by the Board for an initial three-year term and normally serve a second three-year term. Beyond this a third term of up to three years may be served subject to particularly rigorous review and taking into account the need for progressive refreshment of the Board. In accordance with the Code, any Non-Executive Director who serves nine years or more on the Board would be subject to annual appointment.

During the year the Board considered and approved the re-appointments of Bob Lawson, Mark Rolfe, Bob Davies and Rod MacEachrane. Bob Lawson and Mark Rolfe have both completed three years' service on the Board this year, Bob Davies has completed seven years' service and Rod MacEachrane has completed five years' service on the Board. Following a formal evaluation process by the Board, it was agreed that

each of Bob Lawson, Mark Rolfe and Rod MacEachrane continue to be effective in (and that they each demonstrate satisfactory commitment to) their respective roles as Directors. Accordingly, the Board re-appointed each of them, subject to annual re-election by shareholders, for a further three-year term. During this period each of them will continue with the roles they currently hold upon the Committees of the Board.

In light of having served beyond six years on the Board, the re-appointment of Bob Davies was subject to particularly rigorous review by the Chairman and the Nomination Committee. The Board believes that Bob Davies' performance continues to be effective and that he demonstrates commitment to his role. The Board has therefore agreed to re-appoint Bob Davies, subject to annual re-election, for a further two-year term, during which he will remain as the Senior Independent Director and continue in the positions he currently holds upon the Committees of the Board.

The letters of appointment of the Non-Executive Directors are available for inspection by any person at the Company's registered office during normal office hours and will also be available at the 2011 AGM for 15 minutes before and throughout the meeting. The letters of appointment clearly set out the time commitment expected from each Non-Executive Director to ensure they sufficiently perform their duties and each Non-Executive Director confirms that they are able to allocate the time commitment required at the time of appointment and during their annual effectiveness review.

Retirement and re-election of Directors

The Articles currently require Directors to submit themselves for re-election by shareholders at the first annual general meeting following their initial appointment to the Board and thereafter at each subsequent annual general meeting ('AGM') at intervals of no more than three years. The Board has, however, in accordance with the Code and emerging practice, agreed to submit all of its Directors for re-election by the shareholders at the 2011 AGM, and at subsequent AGMs, irrespective of their date of appointment and length of service on the Board. Each of the Directors has been subject to a formal performance evaluation process and it is believed that they each continue to be effective in and demonstrate commitment to their respective roles. Biographies of each of the Directors and supporting statements for the re-election of all Directors are set out on pages 36 and 37 of this report and in the Notice of the 2011 AGM. Details of the Executive Directors' service contracts can be found in the Remuneration report on pages 54 and 55.

The Board recommends that shareholders approve the resolutions to be put forward at the 2011 AGM relating to the re-election of all Directors.

Induction and development

On joining the Company, each new Director is provided with an induction pack and participates in an induction process which includes site visits, meetings with all Board members and senior and operational management teams across the business. In January of each year the Board meets for a full day to review and develop the overall business strategy of the Group which includes presentations from senior management within the Group as well as external professionals.

The Directors continue to update their skills, knowledge and familiarity with the Company by attending appropriate external and internal seminars

and training courses, meeting with senior management and continuing to visit regional and divisional operating offices and sites. Additionally, during the year, guidance on specific matters such as the steps necessary to put in place adequate procedures to ensure continuing compliance with the Bribery Act 2010, competition law and the Code, was provided to the Board. The Chairman regularly reviews and annually agrees training and development needs with individual Directors.

Information and support

The Chairman is responsible for ensuring that the Board receives accurate, timely and clear information. Each Director is issued with an agenda, briefing papers and comprehensive operating and financial management reports for the period under review at least a week before any Board Meeting. The Group General Counsel and Company Secretary attends all Board and Committee Meetings and all Directors have access to his advice and, if necessary, to independent professional advice at the Company's expense to assist with the discharge of their responsibilities as Directors.

All Directors are provided with a rolling three-year schedule of proposed meeting dates. Any Director who is unable to attend a meeting is invited to provide their views to the Chairman ahead of that meeting, having reviewed the agenda, briefing papers and management information. Reasons for non-attendance are recorded by the Group General Counsel and Company Secretary. Thereafter the Group General Counsel and Company Secretary will, if required, meet with any absent Director to go through any action points which are of relevance to that Director.

Formal minutes of each Board meeting are prepared, circulated and submitted for approval at the next meeting.

Performance evaluation

The Board is responsible for undertaking a formal and rigorous annual evaluation of its own performance, that of its Committees and of individual Directors. In 2010 the annual evaluation process was undertaken by Egon Zehnder International, an external consultant, who presented their findings to the Board in August 2010 and also provided feedback to each individual Director relating to their respective performance and contribution to the Board and its Committees. In response to these findings, the Board developed an action plan, which has been included as a standing Board agenda item during 2010/11, to address the issues identified. A number of the issues addressed by the Board and its Committees (as applicable), during the course of the year surrounded enhancing the effectiveness of the Board and Committee processes and more generally senior succession planning.

For the 2010/11 financial year the Board decided to carry out its performance evaluation internally. Each Director was asked to complete separate confidential questionnaires on the effectiveness of the Board and each of the Committees of which they are a member. The Directors scored the performance of the Board and its Committees on various topics, including: contribution to strategy; risk management; financial and operating reporting; matters reserved for the Board; inter-relationships between the Board and its Committees; relations with advisers and regulators; and Board procedures. Responses were collated by the Group General Counsel and Company Secretary and a non-attributable report on the findings was formally presented to the Board in June 2011 for discussion. Thereafter the Chairman conducted one-to-one meetings

with individual Directors in order to appraise the performance of each of them as Board members and explore the performance evaluation findings. Key outputs included the continued focus on succession planning at Board and senior management level together with a desire for an enhanced annual strategic review. As a result of the performance evaluation the Board and each of its Committees reviewed and updated their Terms of Reference as appropriate.

In accordance with the requirements of the Code, the Chairman met with the Non-Executive Directors independently of the Executive Directors. The Non-Executive Directors, led by the Senior Independent Director, met without the Chairman being present, to assess the performance of the Chairman and provided feedback from the process.

Nomination Committee



The Nomination Committee comprises the Chairman, the Chief Executive and all four Non-Executive Directors. The Chairman chairs the meetings of the Nomination Committee, except when the business of the meeting relates to the appointment of his own successor. In accordance with Code provision B.2.1. the majority of members (the Non-Executive Directors) are considered by the Company as being independent. The Nomination Committee met on two occasions during the year to explore, amongst other matters, senior succession issues, review its effectiveness and look at the balance of the Board and its Committees. Attendance at each of these meetings is shown in Table 1 on page 39.

Principal responsibilities

The Nomination Committee's principal responsibilities include:

- regularly reviewing the structure, size and composition of the Board, having regard to their balance of skills, experience, independence and knowledge;
- developing succession plans for Directors and senior executives;
- identifying and nominating candidates to fill Board vacancies and evaluating the role and capabilities required for a particular appointment;
- reviewing the leadership needs of the Group to ensure continued ability of the Group to compete effectively in the market;
- annually reviewing, through performance evaluation, the time required from Non-Executive Directors to fulfil their duties; and
- reviewing and making recommendations to the Board on the authorisation of conflicts of interest of new and existing Directors.

The Terms of Reference for the Nomination Committee are available from the Company's website www.barrattdevelopments.co.uk.

Robert Lawson

CHAIRMAN OF THE NOMINATION COMMITTEE

The Nomination Committee leads the process for appointments to the Board and makes recommendations to the Board when suitable candidates have been identified. When a vacancy arises the Nomination Committee evaluates the balance of skills, experience, independence and knowledge on the Board and on that basis prepares a description of the roles and capabilities required for that appointment. The search for Board candidates is carried out, and appointments are made, based on merit having regard to the need to maintain a balance of skills and experience on the Board, diversity and, where appropriate, refreshment of Board memberships. External recruitment consultants are used where appropriate.

The Board currently comprises of four Executive and five Non-Executive Directors (including the Chairman). Tessa Bamford was appointed to the Board as a Non-Executive Director in July 2009. Following Lord Davies' Report: Women on Boards, the Nomination Committee has reviewed the recommendations, as part of its annual effectiveness exercise. The Committee's primary goal is to identify the most appropriate candidates to join the Board and, accordingly, the Committee has formalised its existing process by amending its Terms of Reference to make it clear that in considering succession planning it has due regard to the benefits of diversity on the Board, including gender. The Nomination Committee will consider the matter further, once the outcome of the review by the FRC is published.

Internal control and approach to risk management

The Board confirms in accordance with principle C.2 of the Code that it has maintained a sound risk management and internal controls systems, seeking to safeguard shareholders' investment and the Group's assets. The Board is responsible for seeking to determine the nature and extent of the significant risks that it is appropriate for the Group to take to achieve its strategic objectives and it is the responsibility of the Executive Directors and senior management to implement and maintain the Group's internal control and risk management systems within the governance and policy framework approved by the Board. The risk management and internal controls systems have been in place throughout the year ended 30 June 2011 and up to the date of this report, and their effectiveness is regularly reviewed by the Board. The risk management and internal controls systems and their effectiveness accord with the Turnbull guidance. The Group's system of internal control is designed to manage risks that may impede the achievement of the Group's business objectives rather than to eliminate those risks entirely. The system of internal control therefore provides only reasonable, not absolute, assurance against material misstatement or loss. The system of internal control does, however, provide reasonable assurance that potential issues can be identified promptly and appropriate remedial action taken.

The Group operates internal controls to ensure that the Group's financial statements are reconciled to the underlying financial ledgers. A review of the consolidated accounts and financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected.

To enhance the internal control framework, a senior executive Risk Committee was established in the 2009/10 financial year. The Risk Committee consists of standing members comprising the Group Finance Director, Group General Counsel and Company Secretary,

an Operational Executive Director and/or a Regional Managing Director and the Chief Internal Auditor. Other members of the Executive, heads of function and senior managers attend meetings by invitation having regard to the business areas to be explored. Subject to the general supervision of the Audit Committee, the Risk Committee reviews the effectiveness of the Group's internal control policies and procedures for the identification, assessment and reporting of risks and to assess individual key risks on a rolling basis.

The key aspects of the Group's system of internal control and risk management framework are as follows:

- i) a clear organisational structure with defined levels of authority and responsibility for each operating division;
- ii) financial and management reporting systems under which financial and operating performance is consistently reviewed against budget and forecasts at divisional, regional and Group level on a monthly basis;
- iii) identification and review of principal operational risk areas are embedded in the Group's monthly management reporting system, so that risk identification and the control of risk are a routine aspect of management responsibility. Amongst other matters, the risks reviewed include:
 - the land and housing markets, including changes in the macroeconomic environment, sales and quality of product;
 - liquidity, including the availability of sufficient borrowing facilities;
 - people, including the development of a skilled and experienced workforce;
 - subcontractors and suppliers;
 - land buying;
 - Government regulation, including obtaining planning permission;
 - construction, including achieving key milestones and the impact on the environment and social surroundings;
 - health and safety; and
 - failure of the Group's IT systems; and
- iv) compliance with internal control and risk management systems are supported by the Group's internal audit team which is responsible for undertaking an annual audit plan and ad hoc audits and reporting to the Audit Committee, and, if necessary, the Board on the operation and effectiveness of those systems and any material failings with them. The planned programme of audit appraisals across Group operations is approved by the Audit Committee and includes full divisional audits and targeted audits of key risk areas such as the land viability process, land acquisition control and monitoring, work in progress and subcontractor payment controls. Where the internal audit team does not have the expertise or resources required to conduct complex audits they use external expertise.

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. 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 has delegated certain day-to-day treasury activities 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.

In accordance with principle C.2.1. of the Code the Board regularly reviews the effectiveness of the Group's system of internal controls, covering all material controls including financial, operational and compliance controls and risk management systems. A risk framework has been developed for all business processes by the internal audit function and approved by the Audit Committee. This framework forms the basis of the internal control audit plan for the year ahead, which tests if controls are being applied effectively in each operating division. Material issues identified during internal audits and follow-up action plans are reviewed by the Executive Directors and by the Board on a quarterly basis, and necessary actions are immediately taken to remedy any failings in the internal control system.

During the course of its review of systems of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, a confirmation of necessary actions has not been considered appropriate.

In addition, the management teams of all operating divisions identify key risks in their monthly management reports to the Executive Committee and complete a control self assessment twice a year in which they confirm that they have applied appropriate levels of control. The Audit Committee, as a standing agenda item every six months, reviews the risk framework to determine if the system of internal control remains effective and report on their findings to the Board. During the year under review, the Executive Committee prioritised the risk framework by identifying the risks considered most significant to the Group. For each of the risks identified, an assessment has been made of the probability and potential impact on the business and these risks are reported on internally and reviewed during internal audits and control self assessments.

Report of the Audit Committee



Introduction from the Chairman

All members of the Audit Committee, as identified in Table 1 on page 39, are independent Non-Executive Directors in accordance with Code provision C.3.1. William Shannon stepped down as a member of the Audit Committee on 21 October 2010. The Board is satisfied that I have recent and relevant financial experience.

The Audit Committee met on four occasions during the financial year and attendance at each of these meetings is set out in Table 1 on page 39. In addition, representatives from the auditor, Deloitte LLP ('Deloitte') together with the Chief Internal Auditor, attended each of the Audit Committee meetings during the financial year. The Group Chief Executive, the Group Finance Director and other members of senior management are also invited to attend meetings (or parts thereof) as required.

Mark Rolfe

CHAIRMAN OF THE AUDIT COMMITTEE

Principal responsibilities

Under its Terms of Reference the Audit Committee's principal responsibilities, which form part of its annual work programme, include:

- monitoring the integrity of the Group's financial statements and reviewing any formal announcements relating to the Group's financial performance;
- reviewing and challenging where necessary the consistency of, and any proposed changes to, its accounting policies;
- monitoring the effectiveness, independence and objectivity of the external auditor, their audit and non-audit fees and the effectiveness of the external audit process;
- making recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditor;
- monitoring the Group's financial management and reporting systems and assessing the integrity and effectiveness of its accounting procedures, systems of internal control and the process for identifying and monitoring the material risks facing the Group;
- reviewing and monitoring the effectiveness of the internal audit function, the annual internal audit plan and all reports produced by the internal auditor and management's responsiveness to the findings and recommendations of the internal auditor; and
- reviewing whistleblowing procedures and ensuring arrangements are in place for proportionate and independent investigation and follow-up action in respect of any matter raised pursuant to that process.

The full Terms of Reference for the Audit Committee are available from the Company's website www.barrattdevelopments.co.uk.

As well as carrying out the work associated with the annual financial reporting cycle under its annual work programme, the Audit Committee undertakes other responsibilities during the year including reviewing: risk management processes and framework; the effectiveness of internal control systems; the Audit Committee's Terms of Reference; non-audit fees policy; the whistleblowing policy; key accounting policies; the external audit plan and associated reports.

Re-appointment of Auditor

The Audit Committee considered the re-appointment of Deloitte as the auditor to the Company in September 2011. Deloitte was appointed as the auditor of the Company through an external tender process in 2007. Taking into account the tenure of the auditor; their objectivity and independence; the ratio of audit to non-audit fees; their performance against the audit plan for the 2010/11 financial year; and the quality of advice and assistance received throughout the year, the Committee concluded that Deloitte's performance as auditor to the Company continues to be satisfactory and recommended to the Board that a resolution re-appointing Deloitte as the auditor to the Company be proposed at the 2011 AGM. That recommendation was endorsed by the Board who recommend Deloitte's re-appointment as auditor to shareholders. There are no contractual obligations which restrict the Audit Committee's choice of external auditor.

Auditor objectivity and independence

The Committee reviews the policy the Company has implemented on Auditor Independence and Non-Audit Fees (the 'Policy') as part of its annual work programme. The Policy sets out the duties of the Audit Committee and the limited range of services which the auditor may provide without requiring prior approval of the Audit Committee. Any services outside this scope must be approved by the Audit Committee in order to maintain auditor independence and monitor non-audit fees incurred by the Group. The Policy also sets out a number of services which the external auditor is excluded from providing to the Group, these include:

- bookkeeping or other services related to the accounting records or financial statements;
- financial information systems design and implementation relating to the financial statements or accounting records;
- appraisal or valuation services or fairness opinions;
- actuarial services;
- internal audit outsourcing services; and
- management functions, legal services or executive recruiting.

Under the Policy the Company is required to, and does, obtain written confirmation from the auditor that they remain independent on an annual basis.

During the 2010/11 financial year Deloitte were appointed as the Group's tax advisers following a competitive tender process in which four of the leading audit firms took part. In making its decision, the Audit Committee took into account, amongst other factors, the impact of the appointment on: (i) the ratio of audit to non-audit fees; and (ii) auditor independence. The Audit Committee, having consulted with the Group Finance Director, concluded that the audit to non-audit fees ratio remained proportionate and in line with best practice guidelines and, given that the tax advisory services are managed by a partner who has no involvement with the audit of the Group, it was satisfied that the appointment of Deloitte as tax advisers did not impair their independence as auditor to the Group. Confirmation of independence was also received from Deloitte prior to their appointment.

The Audit Committee confirms that the guidelines described above were followed throughout the year; that there are no independence issues in respect of the auditor; and that the Policy has been appropriately complied with throughout the year under review. Details of the audit related and non-audit fees incurred by the Group can be found on page 82.

Remuneration Committee

All members of the Remuneration Committee, as set out in Table 1 on page 39, are considered by the Company to be independent in accordance with Code provision D.2.1. William Shannon stepped down as a member of the Remuneration Committee on 21 October 2010. The Remuneration Committee met on five occasions during the financial year. Attendance at each of these meetings is set out in Table 1 on page 39. The full Terms of Reference for the Remuneration Committee are available from the Company's website www.barrattdevelopments.co.uk.

Principal responsibilities

The Remuneration Committee's principal responsibilities include:

- determining and reviewing the overall remuneration policy of the Company with regard to attracting, retaining and motivating directors and senior managers of the experience and calibre required by the Company having regard to remuneration paid to employees and an external comparative group of companies;
- determining, reviewing and making recommendations to the Board on the remuneration package and service contract of the Chairman;
- agreeing targets and benefits in respect of performance related pay schemes, including long-term performance plans, for all participating employees which are sufficiently challenging; fair and highly motivating; commensurate with sector practice; and consistent with maximising shareholder value and the interests and expectations of shareholders;
- agreeing severance arrangements or other compensation for loss of office or early retirement for the Chairman, Executive Directors and other senior executives;
- determining, after consultation with the Chief Executive, the total individual remuneration package of each executive director and other senior executives including bonuses, incentive payments and share options/awards and pension arrangements; and
- undertaking consultations with institutional investors on remuneration policy and/or other aspects of senior remuneration, as appropriate.

The Remuneration Committee is also responsible for appointing consultants to advise on executive remuneration. Details of the consultants appointed during the 2010/11 financial year can be found on page 49 of the Remuneration report.

Employment policy and involvement

The Group is committed to seeking to develop the talents of its employees so that they can maximise their career potential and to attempting to provide rewarding careers in an atmosphere that engenders equal opportunities for all. Selection for employment and promotion is based on merit, following an objective assessment of ability and experience of candidates after giving full and fair consideration to all applications (including individuals with disabilities). The Group is also committed to ensuring that its workplaces are free from unlawful discrimination of any sort. The Group strives to ensure that its policies and practices provide equal opportunities in respect of issues such as training, career development and promotion for all existing or potential staff irrespective of gender, race, ethnic origin, colour, religion, physical disability, marital status, sexual orientation or age. Every effort is made to retain and support employees who become disabled whilst working within the Group.

The Board recognises that appropriate employee engagement is a key factor in the long-term success of the Group. It has, accordingly, implemented a comprehensive employee engagement programme with the aim of creating a strong, shared culture. All employees are invited to take part in an engagement survey each year and the results of this survey are fed back to each operating division, who use the results to formulate plans for maintaining or improving engagement in the following year.

A key part of effective employee engagement is communication. The Company seeks to ensure that all significant events, economic factors and financial updates and the impact of these on the performance of the Group are communicated to employees through email alerts, core briefings and regular newsletters. Additionally the Group Chief Executive regularly briefs senior management via conference calls which gives them the opportunity to ask questions and enter into dialogue. Individually and collectively, the Board and the Executive Committee members visit operating divisions and sites frequently in order to assess operational performance, engage with employees on a one-to-one basis and gain first-hand experience of employees' aspirations and concerns.

The Group runs a graduate Recruitment and Development Programme consisting of a two-year multi-disciplinary programme of both on-job and off-job modules. The Group currently has 29 graduates who are one year into their two year programme.

The Group is committed to appropriate employee training and development at all levels of the organisation. It has introduced a suite of leadership and management development programmes aimed at all levels within the organisation from graduates to middle management and through to senior management. The programme is designed and delivered internally and is tailored to the needs of the business. The Group also offers the Barratt Academy, a staged programme to enable employee development from Apprentice to Site Manager, and also in the Technical and Commercial disciplines. Succession planning is in place across the Group and the leadership development programmes assist with the development of individuals as part of the succession plan.

In February 2011 the Company invited all eligible employees to participate in the third grant under the Savings Related Share Option Scheme which was approved by shareholders at the Company's 2008 AGM (the 'SRSOS'). This gave those individuals who had participated in previous grants under the SRSOS, but not used up all of their entitlement, the opportunity to increase their savings and gave other employees the chance to participate in the SRSOS and become more involved in the Company's performance.

Relations with shareholders

The Board recognises the importance of having an ongoing relationship with its shareholders and other stakeholders. It fully supports the principles of the Code and the UK Stewardship Code which encourage open dialogue between companies and their shareholders. The Group has arrangements in place which enable it to communicate effectively with shareholders in respect of issues such as business strategy, governance, remuneration and any senior management or Board changes.

Information about the Group, its Board and its business, including the annual and interim reports, interim management statements and trading updates, company announcements and details on services available to shareholders can be found on the Company's website www.barrattdevelopments.co.uk. Information of a price sensitive nature is communicated as required via a Regulated Information Service and the Group strives to ensure that all key information is effectively and clearly communicated.

The Group Chief Executive and the Group Finance Director meet regularly with investors and analysts in order to convey an understanding of the Group's operations, the market and its management objectives. These meetings take place during the year but particularly after the annual and interim results announcements. The Chairman and other Non-Executive Directors also have the opportunity to attend meetings with major shareholders at the request of either party and the Senior Independent Director is available to meet with major shareholders, as and when required, to gain an understanding of their issues and concerns.

The notice of each AGM and related papers are circulated to all shareholders at least 20 working days before the meeting. All Directors, including the Chairmen of each of the Committees, attend every AGM and are available to answer shareholder questions before, during and after the meeting. The Group Chief Executive also gives a presentation on the progress and performance of the Group prior to the formal business of the meeting.

In order to ensure that all Directors are aware of, and have a clear understanding of, the views of major shareholders, the Group Finance Director presents regular reports to the Board on the Company's investor relations activities.

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 on pages 6 to 11 and the Business review on pages 14 to 35. The material financial and operational risks and uncertainties that may impact the Group's performance and their mitigation are outlined on pages 32 to 35 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 25.

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 on pages 32 to 35, factors that particularly impact upon the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for the Group's purchasers and interest rates.

On 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 and private placement notes provide appropriate headroom above our current forecast debt requirements.

Accordingly, after making enquiries, the Directors have formed a judgement at the time of approving these Annual Report and Accounts 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 these Annual Report and Accounts. For this reason, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

On behalf of the Board

Tom Keevil

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

13 September 2011

REMUNERATION REPORT



I am pleased to present the Directors' Remuneration report for the financial year ended 30 June 2011 (the 'Remuneration report') on behalf of the Remuneration Committee (the 'Committee'). The Remuneration report is prepared in accordance with schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410) (the 'Regulations') and will be subject to an advisory vote at the 2011 AGM.

The Board recognises that the Group's remuneration policy should seek to attract, retain and motivate directors and senior managers of the quality required to enable successful future growth of the Company in a challenging market, whilst ensuring that executive remuneration remains aligned to the long-term performance of the Company and the interests of shareholders. In determining the levels of remuneration for Executive Directors, consideration is given to the overall performance of the Group, packages offered by comparative companies in the sector and the pay and employment conditions being offered to employees throughout the Group.

Details of the Group's remuneration policy and remuneration packages of Executive Directors can be found on the following pages of this Remuneration report. However, key points to be aware of this year are:

1. Executive Directors will not receive a salary increase for the 2011/12 financial year. To provide some context, there has been only one year where an increase was made to Executive Director salaries in the last four years.
2. Under the annual bonus scheme, the payment for on-target performance and maximum potential remains unchanged at 75% and 150% respectively. Up to one-third of this maximum bonus is payable in Company shares and will be deferred for three years. It should be noted that prior to 2009 the payment for on-target performance was 130% with a maximum bonus potential of 180%.
3. A clawback provision applies to any annual bonuses paid and to any share awards granted under the Executive Share Option Scheme ('ESOS') and the Long-Term Performance Plan (the 'LTTP'), subject, in the case of HMRC approved options, to such approval. The Committee has retained its general discretion to reduce levels of bonus and share vesting where the

Company's overall financial performance relative to the house build sector does not justify the indicated level of bonus or vesting.

4. For the 2011/12 financial year, Executive Directors will be granted awards under the LTTP. Consistent with the approach taken last year, the Committee has decided not to revert to making awards of 200% of salary; instead the level of the award will be maintained at 150% of base salary and will be subject to two performance conditions, half will be based on relative Total Shareholder Return ('TSR') and the other half on Earnings per Share ('EPS') targets to be measured over a three year performance period commencing 1 July 2011.
5. In December 2009, Executive Directors were granted share options under the ESOS (the '2009/10 ESOS'). Half of these awards are subject to TSR performance conditions and the other half are subject to annual EPS performance conditions measured over a three-year performance period. 9.6% of the award subject to EPS vested in 2010. The second third of the award subject to the EPS performance condition was based on the EPS performance for the financial year ended 30 June 2011. Actual performance against the target was 39.0% resulting in 6.5% of the award vesting. In total, 16.1% of the EPS element of the award has so far been achieved (see page 52 for further details).

During the year the Committee complied with those aspects of the Code relevant to its business and seeks to demonstrate its accountability on executive remuneration to shareholders through this report and through dialogue with institutional investors. The Committee will consider both the shareholders' vote on the report and views expressed by shareholders on the detail of the report at the 2011 AGM in determining future remuneration policy for all employees.

Robert Davies

CHAIRMAN OF THE REMUNERATION COMMITTEE

Remuneration Committee

The Committee operates within terms of reference and governance policies approved by the Board. The full Terms of Reference are available from the Company's website at www.barrattddevelopments.co.uk.

Principal responsibilities

The principal responsibilities of the Committee are:

- determining and reviewing the overall remuneration policy of the Company with regard to attracting, retaining and motivating directors and senior managers of the experience and calibre required by the Company having regard to remuneration paid to employees and an external comparative group of companies;
- determining, reviewing and making recommendations to the Board on the remuneration package and letter of appointment of the Chairman;
- agreeing targets and benefits in respect of performance related pay schemes, including long-term performance plans, for all participating employees which are sufficiently challenging, fair and highly motivating, commensurate with sector practice, and consistent with maximising shareholder value and the interests and expectations of shareholders;
- agreeing severance arrangements or other compensation for loss of office or early retirement for the Chairman, Executive Directors and other senior executives;
- determining, after consultation with the Chief Executive, the total individual remuneration package of each Executive Director and other senior executives including bonuses, incentive payments and share options/awards and pension arrangements; and
- undertaking consultations with institutional investors on remuneration policy and/or other aspects of senior remuneration, as appropriate.

The Committee is also responsible for appointing consultants to advise on executive remuneration. Details of the consultants appointed during the financial year ended 30 June 2011 are set out below.

Membership and proceedings of the Remuneration Committee

The members of the Committee during the financial year were Bob Davies (Chairman), Bob Lawson, William Shannon (until he resigned as a Director of the Company on 21 October 2010), Rod MacEachrane and Tessa Bamford. The Group General Counsel and Company Secretary, Tom Keevil, acts as Secretary to the Committee. The Committee met on five occasions during the financial year and attendance at each of these meetings is described in Table 1 on page 39 of the Corporate Governance report. All Committee members are considered to be independent with no financial interest in the Committee's decisions, other than as shareholders and the fees paid to them as Non-Executive Directors. No material issues arose from the annual effectiveness exercise that the Committee undertook during the year although its Terms of Reference were updated as part of that process. Details of Directors' shareholdings can be found on page 56 of this Remuneration report.

Advice/Advisers

During the year the Committee has taken advice from independent advisers, Hewitt New Bridge Street ('HNBS'), a division of Aon Hewitt Limited. HNBS was appointed by the Committee as remuneration consultants in 2008 and is a founder signatory to the Remuneration Consultants Group's Code of Conduct. In addition to advising the

Committee, HNBS also provided the Company with advice on implementing decisions made by the Committee and remuneration benchmarking. HNBS's fees for providing such advice amounted to approximately £27,000 (2010: £61,000) for the year ended 30 June 2011. HNBS and Aon Hewitt Limited did not provide any other services to the Company during the year (except for certain broking services related to employee benefits provided by another subsidiary of the Aon Hewitt Group, Aon Consulting Limited). In line with best practice, the Committee assesses, from time to time, whether the appointment remains appropriate or should be put out to tender as part of its effectiveness review. The Committee undertook such an assessment during the year and remains satisfied with HNBS's appointment as advisers to the Committee. Mercer Limited has advised the Company in relation to various pension issues and has been appointed actuary to the Barratt Group Pension and Life Assurance Scheme since 2004. Slaughter and May are the corporate legal advisers to the Company and have provided advice in respect of the operation of the Company's share incentive and share option plans and the Group's debt refinancing.

In addition to advice from external consultants, the Committee received input to their decision making from the Group Chief Executive, the Group People and Customer Experience Director and the Group General Counsel and Company Secretary. None of these individuals were present at any time when their own remuneration was being considered.

Remuneration policy

The Group's remuneration policy aims to attract, retain, motivate and reward Executive Directors and senior managers who are fully focused and incentivised to sustain the growth and profitability of the business. Each year the Committee reviews the policy on executive remuneration in the context of the business environment, regulation and best practice, and market trends for the current and subsequent financial years.

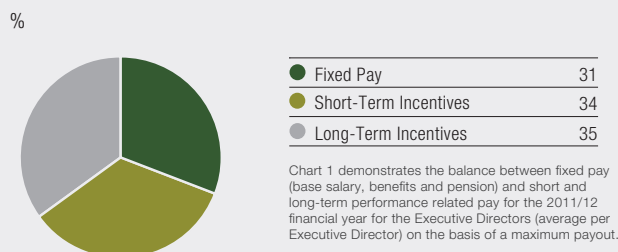
The Committee believes that executive remuneration should:

- be fully aligned with the performance and strategic objectives of the Company;
- be aligned with the interests and expectations of shareholders;
- take account of pay and employment conditions of employees across the Group;
- reward the sustained growth and profitability of the business; and
- conform with market-leading best practice and regulations.

The executive remuneration package for the following year is therefore based on the following principles:

- performance-related remuneration should be linked to the achievement of demanding performance targets; currently approximately 70% of the total executive remuneration potential is performance based (see Chart 1 on page 50);
- performance-related remuneration should align the interests of executives with those of shareholders by setting performance targets based on measures of shareholder return. With the exception of the share options granted in 2008, which were based on a return on capital employed performance metric, the Committee's policy is to use a combination of TSR and EPS performance conditions to achieve alignment; and
- total remuneration for outstanding performance is competitive with that available elsewhere in the sector.

Chart 1 – Executive Directors' remuneration mix



The Committee has the discretion to and does consider corporate performance on environmental, social and governance risks and issues when setting the remuneration of the Executive Directors and senior management to ensure that remuneration structures do not inadvertently motivate irresponsible behaviour. The Committee has considered the structure of Executive Directors' remuneration packages from a general risk perspective and is satisfied that remuneration packages do not encourage inappropriate risk taking. Risk is also taken into account when setting the targets and when determining entitlements under variable reward schemes. The Committee ensures that targets, whilst stretching, are: realistic and attainable; for the long-term benefit of the Company; and not achievable by taking inappropriate business risks. The levels of pay and employment conditions throughout the Group are also taken into consideration when setting Executive Directors' remuneration.

Clawback

The Company has a power of clawback in respect of any annual bonus paid and to any share awards granted under the LTPP or ESOS in respect of the financial year ended 30 June 2010 and later years subject in the case of HMRC approved options, to such approval. The clawback can be invoked if:

- it is necessary to restate the Company's accounts used to calculate a participant's entitlement to bonus or share awards in circumstances where the original over-statement has led to a bonus being paid or share awards being granted which would not otherwise have been paid or granted; or
- the participant is found guilty of any criminal activity in connection with his employment and this related to an act which led to a bonus being paid or share awards being granted to him or her.

In such circumstances, the Committee may determine that the bonus and/or share award will be retrospectively recalculated. If bonus monies have been paid the participant will be required to reimburse the Company for an amount up to the total amount of the net bonus paid less any bonus that the Committee determines would have been paid regardless of the event in question. If share awards have been granted, the number of awards or options granted will be reduced accordingly.

Executive Directors' shareholding guidelines

The Committee has implemented the following shareholding guidelines for all Executive Directors in order to further align the interests of the Executives with the expectations of the Company's shareholders:

- within five years of being appointed to the Board, Executive Directors are required to build up, and retain, ordinary shares in the Company equivalent in value to 100% of their base annual salary;
- the share price to be used for the purposes of determining the value of the shares will be that prevailing on 30 June in each year; and
- provided that Executive Directors hold the appropriate level of shares, they may sell shares (i) to realise their LTPP awards; or (ii) upon the exercise of share options, subject to the normal Listing Rules and Disclosure and Transparency Rules' requirements for Directors' dealings.

Although these guidelines are currently only applicable to Steven Boyes and Clive Fenton, the Committee also reviewed the shareholding value for Mark Clare given that he will complete five years' service in October 2011. Mark Clare substantially exceeds the shareholding threshold. Both Steven Boyes and Clive Fenton met the shareholding guidelines until the economic downturn in early 2008 which resulted in an unprecedented reduction in the share price. The moderate improvement in the share price during the year saw Steven Boyes exceed the minimum requirements of the shareholding guidelines whilst Clive Fenton's shareholding increased in value to 85% (2010: 70%) of his base annual salary. Having regard to the continued challenging and constrained market conditions, the Committee is not requiring Clive Fenton to purchase additional shares to respond to this temporary position but it will review the position again on or after 30 June 2012.

The remuneration package for Executive Directors

The remuneration package for Executive Directors comprises:

- base salary;
- annual performance related bonus;
- long-term share incentives; and
- pension and other benefits.

The performance conditions which apply to the performance related element of executive remuneration are the same for all Executive Directors and are set out in the following sections of this Remuneration report and details on how the expected values for share based payments are calculated can be found in note 28 on pages 110 to 116.

Base salary

Base salaries for Executive Directors are a fixed annual sum payable in monthly instalments in cash. Base salaries are reviewed annually having regard to individual responsibilities, skills and experience; salary levels for similar positions in other major housebuilders and other comparable companies comprising the FTSE 250; the level of pay increases awarded across the Group; economic and market conditions; and the performance of the Group. Any changes to base salary take effect from 1 July annually.

Although market conditions have improved during the 2010/11 financial year they still remain constrained and challenging. In order to control costs, the Executive decided to award a 2% pay increase only to those employees below middle management. Accordingly, Executive Directors and other senior executives did not receive a salary increase for the 2011/12 financial year. Executive Directors' salaries, with effect from 1 July 2011, remain as shown in Table 2.

Table 2 – Executive Directors' salaries

	Per annum	
	2011 £	2010 £
Mark Clare	642,600	642,600
David Thomas	408,000	408,000
Steven Boyes	390,000	390,000
Clive Fenton	390,000	390,000

Annual bonus

The Company's annual bonus plan aims to motivate and reward Executive Directors for the achievement of demanding financial objectives and key strategic measures as set by the Board. The Committee ensures that performance measures for bonuses are stretching whilst having regard to the nature and risk profile of the Company. The performance measures against which bonus payments for the 2011/12 financial year will be determined include pre-tax profit, cash generation, personal objectives and employee engagement. In addition to these performance measures, the Committee has introduced a penalty whereby 10% of any annual bonus earned will be forfeited for failure to achieve the on-target performance measure for either customer service or health and safety. As a result, were neither of these on-target performance measures to be achieved, in aggregate 20% of the annual bonus earned would be forfeited.

For the financial year ending 30 June 2012, the Committee has maintained the maximum cash bonus for Executive Directors at 100% of base salary. However, to ensure that the Company's bonus arrangements continue to incentivise management to rebuild profitability, Executive Directors may be awarded a supplemental bonus, of up to 50% of base salary, for significant over-performance measured against the pre-tax profit target only. This element will be deferred into shares in the Company, held under the Co-Investment Plan for a period of three years with a continued employment condition. No other performance conditions will apply to this award and the Committee has agreed that no matching shares will be awarded against these shares. Accordingly, the total annual bonus opportunity for Executive Directors remains at 150% of base salary for the 2011/12 financial year. The payment for on-target performance will remain at 75% of base salary. It is worth noting that the on-target and maximum bonus potential for the forthcoming year still remain below the levels in place prior to the economic downturn, which were at 130% and 180% of salary respectively. In addition, the Committee has retained a general discretion in the making of bonus payments, and will continue to consider, among other factors, the underlying financial performance of the business relative to the sector in its decision making.

For the financial year ended 30 June 2011, the Committee has approved a bonus payment of approximately 55% of base salary to Executive Directors based on performance against financial, non-financial and individual objectives. The Committee believes that this level of bonus is justified on the basis that the Company has delivered operating profit before exceptional items (which determined 50% of the total bonus for the year) of £135m against the minimum threshold established for the bonus of £135m and the target level of £150m. No part of the annual bonus is pensionable.

Share incentive schemes

During the year the Committee undertook a review of the share incentive schemes currently in operation and agreed that grant levels, performance criteria and vesting schedules remain appropriate to the Company's current circumstances and prospects. There have been no significant amendments to the terms and conditions of any entitlement under any scheme. Details of all Executive Directors' share options and long-term performance plans are set out in Tables 7 and 8 on pages 57 and 58.

Each of the share schemes currently in operation is subject to two performance conditions and a three-year performance period. Half of the awards will vest on attainment of a performance target on relative TSR and the other half on the attainment of a target based on EPS. The TSR and EPS performance conditions are calculated as follows:

TSR

The TSR element is calculated as the percentage change in share price plus dividends over a three-year performance period against the comparator group comprising the FTSE 250 (excluding investment trusts), with the opening share price averaged across the dealing days in the three-month period ending immediately before the start of the performance period and the closing price averaged over the dealing days in the last three months of the performance period. Performance against the TSR target is measured at the end of a three-year performance period.

EPS

The EPS for the Company is calculated by dividing the growth in EPS over a three-year performance period by the weighted average number of ordinary shares in issue at the end of the performance period (excluding those held by the Employee Benefit Trust). For all schemes (except for the 2009/10 ESOS) performance against the EPS target is tested after the end of a three-year performance period. Details in respect of the testing of the 2009/10 ESOS can be found on page 52 of this Remuneration report.

New awards to be granted during the financial year ending 30 June 2012

As per the 2010/11 financial year, the Committee has decided to grant LTPP awards to Executive Directors during the financial year ending 30 June 2012.

The LTPP was approved by shareholders at the AGM held in November 2003. Awards under the LTPP are at the discretion of the Committee, taking into account individual performance and the overall performance of the Group. An employee is not eligible to receive options under the ESOS and awards under the LTPP in the same financial year.

Any LTPP awards that are made in the 2011/12 financial year (the '2011/12 LTPP Award') will not exceed 150% of base salary and will be subject to three-year TSR and EPS conditions. The vesting of half of the 2011/12 LTPP Award subject to a TSR condition will be dependent upon the Company's performance over three years, commencing 1 July 2011, against the constituents of the FTSE 250, excluding investment trusts.

Levels of vesting against the TSR condition will be as follows:

Rank of Company's TSR against comparator group	Level of vesting of TSR element
Upper Quartile or above	100%
Median	25%
Below Median	0%
Between Upper Quartile and Median	Straight-line basis between 25% and 100%

The other half of the award which is based on a EPS measure will vest on the attainment of the EPS target for the financial year ending 30 June 2014. The Committee believes that a wide target range should be set for the EPS element in order to ensure full engagement from management by having an achievable minimum vesting level whilst requiring outstanding performance to achieve maximum level of vesting.

Accordingly, the levels of vesting against the EPS will be as follows:

EPS target – Financial year 2013/14	Level of vesting of EPS element
30 pence per share or higher	100%
12.5 pence per share	25%
Below 12.5 pence per share	0%
Between 12.5 pence and 30 pence per share	Straight-line basis between 25% and 100%

In addition to the above, vesting of the 2011/12 LTPP Award will be subject to an overriding Committee discretion, in that the Committee must be satisfied that the underlying financial performance of the Company over the performance period warrants the level of vesting as determined by applying the above targets. If the Committee is not of this view, then it is empowered to reduce the level of vesting.

Partial vesting of the 2009/10 ESOS

The ESOS was approved by shareholders at the AGM held in November 2008. It was the view of the Committee that the focus on share price growth arising from the use of market value options combined with performance conditions would ensure strong alignment with the interests and expectations of shareholders at the time. Options awarded under the ESOS must normally be held for a minimum of three years from the date of grant before they can be exercised and lapse if not exercised within ten years of grant. The maximum number of shares over which an employee may be granted options in any financial year under the ESOS will be limited so that the aggregate cost of exercise does not exceed 200% of their annual salary. The exercise of options granted under the ESOS is subject to the achievement of objective performance conditions set by the Committee.

As the Committee has decided to grant awards under the LTPP for the 2011/12 financial year it will not be making any grants under the ESOS as an employee is not eligible to receive options under the ESOS and awards under the LTPP in the same financial year.

The last grant made under the ESOS was the 2009/10 ESOS, which is subject to TSR and EPS performance conditions. The Committee chose these targets as the most appropriate measure of financial performance for a housebuilder at the time of the grant, as they are

a fundamental measure of the Group's underlying performance and are directly linked to the generation of returns to shareholders.

Performance conditions

Half of the 2009/10 ESOS will vest on the attainment of a performance target based on relative TSR, and the other half on the attainment of a target based on EPS growth.

Levels of vesting against the TSR will be as follows:

Rank of Company's TSR against comparator group	Level of vesting of TSR element
Upper Quartile or above	100%
Median	25%
Below Median	0%
Between Upper Quartile and Median	Straight-line basis between 25% and 100%

The EPS element of the award has three separate annual components with the Committee setting targets annually for the following financial year. Performance against each annual EPS target is tested at the end of each of the financial years during the performance period and each year's EPS target will determine the vesting level of one-sixth of the total award. However, actual vesting, if any, will not take place until after 30 June 2012. Both performance conditions applying to the 2009/10 ESOS are subject to an overriding Committee discretion to take into account, among other factors, performance relative to the sector and the underlying financial performance of the business including free cash flow.

The EPS targets are before exceptional items and the impact of the reduction in the corporation tax rate from 28% to 26%. The level of vesting for the financial years ended 30 June 2010 and 2011 were as follows:

	2010/11	2009/10
Amount of EPS Element Available for Vesting (one-third of 50%)	16.67%	16.67%
Minimum Target	2.8 pence	-4.4 pence
On Target	4.3 pence	-2.8 pence
Maximum Target	7.3 pence	1.8 pence
Achievement Against Target	39.0%	57.6%
Actual Level of Vesting	6.5%	9.6%*

* In 2010 the Company disclosed that 10.17% of the award had vested for the 2009/10 financial year. Due to a change in the Company's tax charge for that year, which was included in the 2010 published financial statements, the Company's EPS was marginally reduced. Accordingly, the level of vesting was reduced to 9.6%.

It should be noted that the approach of using three one-year targets was adopted due to the uncertain economic conditions prevailing in 2009 when options under the ESOS were first granted. The Committee has since reverted back to the policy of setting three-year targets.

Details of the grants made under the ESOS in December 2008 (the '2008/09 ESOS') can be found on page 58 of this Remuneration report.

Executive share awards granted during the year

Long-Term Performance Plan

There is currently one unvested award under the LTPP which was granted by the Company in December 2010 (the '2010/11 LTPP'). Awards under the 2010/11 LTPP were based on an allocation of ordinary

shares equivalent in value to a maximum of 150% of base salary and are subject to three-year TSR and EPS performance conditions. There is no re-testing of performance conditions.

Performance conditions

Half of the 2010/11 LTPP will vest on the attainment of a performance target based on TSR over a three-year performance period commencing 1 July 2010.

The levels of vesting against the TSR targets are as follows:

Rank of Company's TSR against comparator group	Level of vesting of TSR element
Upper Quartile and above	100%
Median	25%
Below Median	0%
Between Upper Quartile and Median	Straight-line basis between 25% and 100%

The other half of the 2010/11 LTPP will vest on the attainment of EPS targets for the financial year ending 30 June 2013. The Committee believes that a wide target range should be set for the EPS element in order to ensure full engagement from management by having an achievable minimum vesting level whilst requiring outstanding performance to achieve maximum level of vesting. Accordingly, the EPS targets and corresponding levels of vesting are as follows:

EPS target – Financial year 2012/13	Level of vesting of EPS element
25 pence per share or higher	100%
10 pence per share	25%
Less than 10 pence per share	0%
Between 10 pence and 25 pence per share	Straight-line basis between 25% and 100%

In addition to the above performance targets, the 2010/11 LTPP is subject to an overriding Committee discretion, in that the Committee must be satisfied that the underlying financial performance of the Company over the performance period warrants the level of vesting as determined by applying the above targets. If the Committee is not of this view, it has the authority to reduce the level of vesting as it deems appropriate.

Co-Investment Plan

The Co-Investment Plan (the 'Plan') was approved by shareholders at the AGM held in November 2005 and any annual bonus earned above target will normally be compulsorily deferred into shares held under this Plan (the 'Basic Award'). The Executive Directors also have the opportunity to voluntarily defer additional amounts of annual bonus up to a maximum of 25% of base salary into the Plan.

Matching awards will be made by the Company, if approved by the Committee, at the rate of one for one for compulsory deferral and at a maximum of four for one for voluntary deferral (the 'Matching Award'). Any Matching Awards will be subject to performance conditions measured over a period of three years.

The Committee has decided to use the Plan to hold shares awarded in respect of any supplemental bonus earned (up to a maximum of 50%

of base salary). The Committee has agreed that no matching shares will be awarded against these shares. Any shares so awarded are subject to a continued employment performance condition.

For the financial years ended 30 June 2010 and 2011 no supplemental bonus, as defined on page 51, was earned and therefore no shares were deferred into the Plan. As a result, there are currently no outstanding awards under the Plan.

Savings Related Share Option Scheme

The Savings Related Share Option Scheme (the 'SRSOS') was approved by shareholders at the AGM held in November 2008.

The SRSOS was implemented in order to promote share ownership amongst all employees of the Company, linking employee benefit to the performance of the Company and to aid retention of staff. All employees and Executive Directors who work more than 25 hours per week, and have five or more years of continuous service with the Company (or any subsidiary in the Group nominated to join in the SRSOS) ending on the date of grant are eligible to participate in the scheme. The Board has discretion to reduce the period of qualifying service and to invite other employees of the Group to participate. Under the SRSOS, employees can save up to £250 per month for three or five years and receive options to purchase the Company's shares at a discount of up to 20% on the market value. In March 2011, 481 employees (11.5% of those eligible) applied to participate in the third grant of options under the SRSOS.

Outstanding Executive share awards

Executive Share Option Plan

The award granted under the Executive Share Option Plan (the 'ESOP') in 2003 vested in 2006, however, there are a number of participants, including Steven Boyes, who are still to exercise the options granted to them.

The ESOP was adopted by the Company in November 1997. Any options granted under the ESOP are required to be held for a minimum of three years from the date of grant before they can be exercised and will lapse if not exercised within ten years of the grant date. The level of vesting of these options was subject to the achievement of objective performance conditions set by the Committee.

Under the rules of the ESOP no further options can be granted under this plan. Options which have been granted to Executive Directors in previous years remain unchanged and are set out on page 58.

Executive share awards lapsed during the year

Executive Share Option Scheme

The options granted under the 2008/09 ESOS were subject to a Return on Capital Employed ('ROCE') financial performance measure, calculated as operating profit (measured across the whole financial year to 30 June 2011) divided by shareholder funds plus net debt less goodwill and intangible assets (being the average of the 12 month-end figures during the same year). There is no opportunity to retest any performance criteria.

The options were tested after the year end and as the ROCE performance target was not achieved, the options lapsed.

Award to Group Finance Director

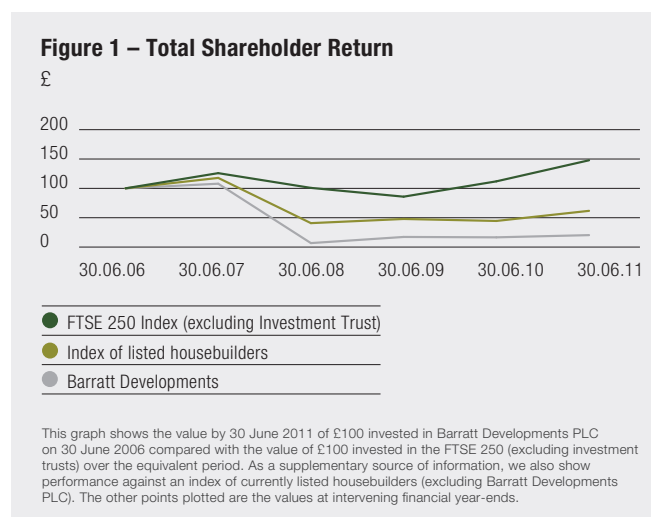
In recognition of his loss of benefit under his previous employer's long-term incentive and share option plans, David Thomas was granted, as previously disclosed, a one-off award which targets benefits equivalent to the options granted under the 2008/09 ESOS. The option was granted by the trustees of the Employee Benefit Trust and, if and when exercised, was to be satisfied from ordinary shares acquired in the market. After adjustment for the Company's Placing and Rights Issue the option was over 1,016,656 ordinary shares, at an exercise price per share of 36.06 pence. The option was subject to the same performance targets as the options granted under the 2008/09 ESOS and was on substantially the same terms and conditions as those options. Accordingly, all of these options also lapsed after 30 June 2011.

Long-Term Performance Plan

The award granted under the LTPP in December 2007 was subject to EPS and TSR performance conditions over a qualifying period of three years to 21 December 2010. Performance against these conditions was tested after this date and as neither of the EPS nor the TSR conditions had been achieved, the award lapsed.

Total Shareholder Return performance graph

Figure 1, prepared in accordance with the Regulations, shows the TSR performance over the last five years against the FTSE 250 (excluding investment trusts) and against an index of listed housebuilders. The Board has chosen these comparator indices as the Group and its major competitors are constituents of one or both of these indices. The TSR has been calculated using a fair method in accordance with the Regulations.



Pension benefits

The Company's pension policy for Executive Directors is that they can choose to participate in the Company's money purchase pension plan or receive a cash supplement that does not count for incentive purposes. Only the base salary element of a Director's remuneration is pensionable. The defined benefit section of the Barratt Group Pension and Life Assurance Scheme (the 'Scheme') was closed to new entrants in 2001 and it ceased to offer future accrual of defined benefits for current members with effect from 30 June 2009.

Mark Clare and David Thomas are paid a cash supplement equal to 30% and 25%, respectively, of base salary per annum. Up until 30 June 2009, when the defined benefit section of the Scheme ceased to offer future accrual of defined benefits for current employees, Steven Boyes and Clive Fenton were members of the defined benefit section of the Scheme. This entitlement was based on a 1/60 accrual rate and a normal retirement age of 65. The entitlement of Clive Fenton was restricted by the earnings cap imposed under the Finance Act 1989 for service up to 5 April 2006 and thereafter was calculated by reference to his base salary. Since 1 July 2009, Steven Boyes and Clive Fenton have been entitled to receive a cash supplement equal to 30% of their respective base salaries per annum. Steven Boyes receives the full 30% as a cash supplement and Clive Fenton receives 20% as a cash supplement and the remaining 10% is paid into the defined contribution section of the Scheme.

The last full actuarial valuation of the Scheme as at 30 November 2007 showed a deficit of £87.4m calculated on the basis of the Scheme's technical provisions. The Company and the Trustees of the Scheme have agreed that, with effect from 1 December 2008, the Company will pay, in addition to the joint contribution rate, £13.3m per annum for seven years to address the deficit. The valuation for the financial statements was updated to 30 June 2011 by a qualified independent actuary and a deficit of £11.8m (2010: £46.1m) is included in the Group balance sheet as shown in note 26. On 30 June 2009, the Company exercised its consent under the rules of the Scheme and agreed to cease offering future accrual of defined benefits for its current employees. Members of the Scheme became eligible to join the defined contribution money purchase section of the Scheme with effect from 1 July 2009. The Company will continue to pay the deficit reduction contributions at a level not lower than the £13.3m agreed in December 2008 and will discuss the funding requirements of the Scheme with the Trustees if any material change in the Group's financial circumstances is anticipated.

Members of the Scheme are also eligible for dependants' pension and an insured lump sum of four times pensionable salary on death in service.

Service contracts

All Executive Directors are engaged on the basis of one-year rolling contracts which can be terminated by twelve months' notice given by either the Company or by the Executive at any time. There are no specific provisions for compensation on early termination (except for payment in lieu of holidays accrued but untaken) or loss of office due to a takeover bid. The Committee will apply mitigation against any contractual obligations as it deems fair and reasonable and will seek legal advice on the Company's liability to pay compensation. The Committee also seeks to reduce the level of any compensation payable and takes into account, amongst other factors, the individual's and the Company's performance; the Director's obligation to mitigate his/her own loss; and the Director's length of service when calculating termination payments. The contracts entitle Executive Directors to the provision of a company car, annual medical screening and membership of a private healthcare scheme. Details of the Executive Directors' service contracts are included in Table 3 and their emoluments are shown in Table 5 on page 56 of this Remuneration report.

Table 3 – Executive Directors' service contracts

Executive Director	Service contract date	Effective date	Notice period
Mark Clare	27 June 2006	2 October 2006	12 months
David Thomas	5 May 2009	21 July 2009	12 months
Steven Boyes	25 June 2001	1 July 2001	12 months
Clive Fenton	1 July 2003	1 July 2003	12 months

Non-Executive directorships

Subject to Board approval, Executive Directors are permitted to accept one Non-Executive directorship outside the Company and retain any fees received from such a position. Executive Directors are not allowed to take on the Chairmanship of any FTSE 100 company. Board approval will not be given for any Non-Executive position, where such appointment would lead to a material conflict of interest, is with a competitor company or will have an effect on the Director's ability to perform his/her duties to the Company. During the year none of the Executive Directors held any Non-Executive directorships with other companies.

Non-Executive Directors' remuneration

The remuneration of the Non-Executive Directors is set by the Board on the recommendation of a Committee of Executive Directors having regard to the time commitment and responsibilities associated with the role. The remuneration of the Chairman is set by the Board on the recommendation of the Committee again having regard to the time commitment and responsibilities of the role. The remuneration of the Chairman and the Non-Executive Directors is reviewed annually taking into account the fees paid by other companies in the housebuilding sector.

The base annual fee paid to Non-Executive Directors during the financial year ended 30 June 2011 was £40,000. The Chairmen of the Audit and Remuneration Committees received an additional annual fee of £10,000 and the Senior Independent Director received an additional annual fee of £5,000. The Committee reviewed Non-Executive fees in July 2011 and concluded that the fees were satisfactory for the role of and time commitments required from each of the Non-Executive Directors. Accordingly, Non-Executive fees have not been increased for the 2011/12 financial year. The Non-Executive Directors do not participate in any performance related schemes such as the annual bonus or any incentive schemes, nor do they receive any pension or private medical insurance benefits.

The Chairman and each of the Non-Executive Directors are appointed under terms set out in a letter of appointment. They do not have service contracts and their appointments can be terminated (by the Board) without compensation for loss of office and by giving the appropriate length of notice as prescribed in their respective letters of appointment. The notice period applicable for the Chairman, Bob Lawson, is three months and for each of the other Non-Executive Directors the notice period is one month. Under governance policies approved by the Board, Non-Executive Directors are appointed for a three-year term and usually serve a second three-year term subject to performance review and re-election by shareholders. Beyond this a further term of up to three years may be served subject to rigorous review by the Chairman and the Nomination Committee and re-election by shareholders. Details of Non-Executive Directors' letters of appointment can be found in Table 4.

Table 4 – Non-Executive Directors' letters of appointment

Non-Executive Director	Date last re-elected at AGM	Date first appointed to the Board	Date last re-appointed to the Board
Bob Lawson	18 November 2008	1 June 2008	1 June 2011
Bob Davies	17 November 2010	5 May 2004	1 July 2011
Tessa Bamford	17 November 2009	1 July 2009	N/A
Rod MacEachrane	18 November 2008	1 May 2006	1 July 2011
Mark Rolfe	18 November 2008	1 May 2008	1 May 2011

The following tables and accompanying notes constitute the auditable part of the Remuneration report as defined in the Regulations

Table 5 – Directors' emoluments

	Salary/fee £000	Pension allowance £000	Employer's pension contribution £000	Performance related £000	Benefits in kind £000	2011 Total £000	2010 Total £000	2011 Gain on exercise of share options £000	2010 Gain on exercise of share options £000
Mark Clare	643	193	–	353	32	1,221	1,417	–	–
David Thomas	408	102	–	224	14	748	855	–	–
Steven Boyes	390	117	–	215	22	744	794	–	1
Clive Fenton	390	75	42	215	25	747	790	–	1
Bob Lawson	270	–	–	–	–	270	270	–	–
Bob Davies [^]	55	–	–	–	–	55	55	–	–
Tessa Bamford ^{^^}	40	–	–	–	–	40	40	–	–
Rod MacEachrane	40	–	–	–	–	40	40	–	–
Mark Rolfe [^]	50	–	–	–	–	50	50	–	–
William Shannon [*]	12	–	–	–	–	12	40	–	–
Total	2,298	487	42	1,007	93	3,927	4,602**	–	2

^{*} William Shannon resigned as a Director of the Company on 21 October 2010.

^{**} This figure includes £251,000 in relation to Mark Pain who stepped down as a Director on 21 July 2009 but continued to be employed by the Company up until 31 October 2009.

[^] These figures include fees in respect of Chairmanship of Board Committees and, in the case of Bob Davies, the fee for his role as Senior Independent Director.

^{^^} Following Tessa Bamford's appointment as a consultant with Spencer Stuart on 18 April 2011, her fees are paid directly, on a quarterly basis, to Spencer Stuart. For the period 18 April 2011 to 30 June 2011 inclusive, the Company paid £8,000 to Spencer Stuart for her services to the Board. This is included in the £40,000 disclosed in Table 5.

The Executive Directors receive taxable benefits in kind covering the provision of a motor vehicle, private medical insurance, some telephone costs and payment towards the cost of obtaining independent tax advice.

There was no compensation for loss of office or any taxable expenses paid to the Directors during the financial year.

Directors' interests in shares

The interests of the Directors serving during the financial year and their connected persons in the ordinary share capital of the Company at the beginning and end of the year are shown below. No notification has been received of any change in the interests below during the period 30 June 2011 to 13 September 2011 inclusive.

Table 6 – Directors' interests in shares

	30 June 2011		30 June 2010	
	Fully paid	Number of share options and awards**	Fully paid	Number of share options and awards
Mark Clare	1,225,179	3,619,533	1,218,698	2,993,066
David Thomas	267,781	2,296,244	186,000	1,684,244
Steven Boyes	377,824	2,221,546	373,221	1,826,014
Clive Fenton	291,024	2,067,649	259,401	1,672,117
Bob Lawson	517,023	–	490,242	–
Bob Davies	37,000	–	23,000	–
Rod MacEachrane	27,600	–	27,600	–
Tessa Bamford	31,500	–	26,500	–
Mark Rolfe	69,000	–	69,000	–
William Shannon [*]	11,578	–	11,578	–

^{*} Shareholding as at 21 October 2010, being the date on which William Shannon resigned as a Director of the Company.

^{**} These figures include the options granted under the 2008/09 ESOS and the recruitment award made in 2009 to the Group Finance Director, as applicable, which were tested after the financial year ended 30 June 2011 and have lapsed. In aggregate Table 6 includes 4,397,039 awards under the 2008/09 ESOS which have now lapsed.

Table 7 – Long-Term Incentive Schemes

Details of movements in Directors' interests in executive long-term incentive schemes are as follows:

	Date of award	At 30/06/10 No.	Granted No.	Vested No.*	Lapsed No.	At 30/06/11 No.	Date from which exercisable**	Market price on award pence	Market price at vesting pence	Gain receivable £
Mark Clare										
LTPP	21.12.2007	324,471	–	–	(324,471)	–	21.12.2010	431.0	–	–
LTPP	14.10.2010	–	963,900	–	–	963,900	14.10.2013	100.0	–	–
Co-Investment Plan	18.10.2007	12,962	–	(6,481)	(6,481)	–	18.10.2010	659.0	75.08	–***
David Thomas										
LTPP	14.10.2010	–	612,000	–	–	612,000	14.10.2013	100.0	–	–
Steven Boyes										
LTPP	21.12.2007	180,262	–	–	(180,262)	–	21.12.2010	431.0	–	–
LTPP	14.10.2010	–	585,000	–	–	585,000	14.10.2013	100.0	–	–
Co-Investment Plan	18.10.2007	9,206	–	(4,603)	(4,603)	–	18.10.2010	659.0	75.08	–***
Clive Fenton										
LTPP	21.12.2007	180,262	–	–	(180,262)	–	21.12.2010	431.0	–	–
LTPP	14.10.2010	–	585,000	–	–	585,000	14.10.2013	100.0	–	–
Co-Investment Plan	18.10.2007	9,206	–	(4,603)	(4,603)	–	18.10.2010	659.0	75.08	–***

* These figures relate to the number of shares returned to participants in respect of the Basic Award arising from deferred annual bonus. The Matching Award lapsed. There were no qualifying conditions attached to these awards.

** The earliest date on which an award may vest, in normal circumstances, having fulfilled all qualifying conditions, after which ordinary shares are transferred automatically as soon as possible.

*** As the Matching Award lapsed there is no gain receivable.

Table 8 – Directors' share options

Details of movements in the Directors' interests in executive share options are as follows:

	Date of grant	At 30/06/10 No.	Granted No.	Exercised No.	Lapsed No.	At 30/06/11 No.	Exercise price pence	Date from which exercisable	Latest expiry
Mark Clare									
ESOS*	18.12.2008	74,998	–	–	–	74,998	40	18.12.2011	17.12.2018
ESOS*	18.12.2008	1,526,237	–	–	–	1,526,237	36.40	18.12.2011	17.12.2018
SRSOS	03.02.2009	16,422	–	–	–	16,422	57.08	01.04.2012	30.09.2012
ESOS	10.12.2009	1,037,976	–	–	–	1,037,976	121.39	10.12.2012	09.12.2019
David Thomas									
ESOS*	25.09.2009	1,016,656	–	–	–	1,016,656	36.06	17.12.2011	16.12.2018
ESOS	10.12.2009	25,458	–	–	–	25,458	117.84	10.12.2012	09.12.2019
ESOS	10.12.2009	634,319	–	–	–	634,319	121.39	10.12.2012	09.12.2019
SRSOS	29.03.2010	7,811	–	–	–	7,811	116.18	01.06.2013	30.11.2013
Steven Boyes									
ESOS*	18.12.2008	74,998	–	–	–	74,998	40	18.12.2011	17.12.2018
ESOS*	18.12.2008	814,576	–	–	–	814,576	36.40	18.12.2011	17.12.2018
ESOP	10.10.2003	153,897	–	–	–	153,897	357.37	10.10.2006	09.10.2013
SRSOS	03.02.2009	16,422	–	–	–	16,422	57.08	01.04.2012	30.09.2012
ESOS	10.12.2009	576,653	–	–	–	576,653	121.39	10.12.2012	09.12.2019
Clive Fenton									
ESOS*	18.12.2008	74,998	–	–	–	74,998	40	18.12.2011	17.12.2018
ESOS*	18.12.2008	814,576	–	–	–	814,576	36.40	18.12.2011	17.12.2018
SRSOS	03.02.2009	16,422	–	–	–	16,422	57.08	01.04.2012	30.09.2012
ESOS	10.12.2009	576,653	–	–	–	576,653	121.39	10.12.2012	09.12.2019

* These options were tested after the year end and as none of the performance conditions were met the options lapsed.

The ESOS is divided into two sub-schemes, one of which is approved under the Income Tax (Earnings and Pensions) Act 2003 and the other which is not. The exercise price is calculated differently for each sub-scheme in accordance with the rules of the ESOS. The performance conditions for the ESOS grants are described on pages 52 and 53.

The performance condition set by the Committee for the ESOP award granted in 2003, that the growth in EPS of the Company over a period of three consecutive financial years should exceed the growth in the RPI by at least 9%, was met in 2006, but the option has not yet been exercised.

The performance conditions of the 2008/09 ESOS awards together with the performance condition of the recruitment award to the Group Finance Director made in 2009 were tested after the year end and none of the conditions had been achieved. Accordingly, the 2008/09 ESOS awards and the recruitment award to the Group Finance Director lapsed.

The mid-market share price of the Company on 30 June 2011 was 114.2 pence. The mid-market high and low share prices of the Company during the year were 119.0 pence and 70.05 pence respectively.

Table 9 – Directors' pension benefits

Steven Boyes and Clive Fenton were members of the Scheme during the year ended 30 June 2011. Details of their accrued benefits are as follows:

	Increase in accrued pension contributions over the year to 30 June 2011 (net of inflation) £	Total pension accrued at the end of the year £	Transfer value of the increase in accrued pension over the year to 30 June 2011 (net of inflation) less Directors' contributions £	Increase in accrued pension over the year to 30 June 2011 £	Transfer value of accrued pension at 30 June 2011 £	Transfer value of accrued pension at 30 June 2010 £	Change in transfer value over the year £
Steven Boyes	(13)	283,889	(215)	12,472	4,477,540	4,057,346	420,194
Clive Fenton	(3)	43,368	(46)	1,905	642,697	579,702	62,995

Notes

With effect from 30 June 2009, the Scheme ceased to offer future accrual of defined benefit pensions for current employees and the link between accrued benefits and future salary increases was removed.

The total pension accrued at the end of the year is the amount that the Director had accrued when the Scheme ceased to offer future accrual at 30 June 2009 plus revaluation in line with the Scheme rules.

The inflation figure of 4.6% is based on the change in RPI from September 2009 to September 2010, consistent with previous years.

All transfer values have been calculated on the basis of actuarial advice in accordance with the Occupational Pension Schemes (Transfer Value) (Amendment) Regulations 2008. The transfer values of the accrued pension represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the Scheme's liability in respect of the Directors' pension benefits. They do not represent sums payable to individual Directors and, therefore, cannot be added meaningfully to annual remuneration.

The increase in the transfer value includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and its Directors, such as market movements.

The figures do not take account of any retained benefits the members may have.

Except as disclosed in respect of Clive Fenton on pages 54 and 56, none of the Directors have any rights under the Company's money purchase pension scheme.

There were no changes in the interests of the Directors shown above between 30 June 2011 and 13 September 2011.

The Remuneration report was approved by the Board on 13 September 2011 and signed on its behalf by:

Robert Davies

NON-EXECUTIVE DIRECTOR

13 September 2011

OTHER STATUTORY INFORMATION

Activities of the Group

The Company is the holding company of the Group. The Group's principal activities comprise acquiring and developing land, planning, designing and constructing residential property developments and selling the homes it builds. These core activities are supported by the Group's commercial development, urban regeneration, procurement, design and strategic land capabilities.

Results and dividends

The loss from continuing activities for the year ended 30 June 2011 was £13.8m (2010: £118.4m).

No interim dividend was paid during the financial year (2010: nil). The Directors do not recommend a final dividend for the year ended 30 June 2011 (2010: nil).

Enhanced Business Review

The Chairman's statement, Group Chief Executive's review, Business review and Group Finance Director's review on pages 2 to 31 together comprise the Group's Enhanced Business Review.

Annual General Meeting

The 2011 AGM will be held at the Royal College of Physicians, 11 St Andrews Place, Regent's Park, London NW1 4LE on Wednesday 16 November 2011 at 2.30 p.m. The notice convening the 2011 AGM is set out in a separate letter to shareholders.

Directors and their interests

Each of the Directors listed on pages 36 and 37 held office throughout the financial year and as at 30 June 2011. William Shannon was also a Non-Executive Director of the Company during the financial year until his resignation from the Board on 21 October 2010.

The beneficial interests of the Directors and connected persons in the ordinary share capital of the Company together with the interests of the Executive Directors in share options and awards of shares as at 30 June 2011 and as at the date of this report are disclosed in the Remuneration report on pages 56 to 59.

At no time during or at the end of the year did any Director have a material interest in a contract of significance in relation to the business of the Group.

Appointment and replacement of Directors

In accordance with the Articles there shall be no less than two and no more than 15 Directors appointed to the Board at any one time. Directors may be appointed by the Company by ordinary resolution or by the Board. The Board may from time to time appoint one or more Directors to hold employment or executive office for such period (subject to the Companies Act 2006 (the 'Act')) and on such terms as they may determine and may revoke or terminate any such appointment. Directors are no longer subject to a maximum age limit.

The Company may by special resolution remove any Director before the expiration of his/her term of office. The office of Director shall be vacated if: (i) he/she resigns or offers to resign and the Board resolves to accept such offer; (ii) his/her resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; (iii) he/

she is or has been suffering from mental or physical ill health; (iv) he/she is absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that his/her office is vacated; (v) he/she becomes bankrupt or compounds with his/her creditors generally; (vi) he/she is prohibited by law from being a Director; (vii) he/she ceases to be a Director by virtue of the Act; or (viii) he/she is removed from office pursuant to the Articles.

Details relating to the retirement and re-election of Directors at each AGM can be found on page 40.

Powers of the Directors

Subject to the Articles, the Act and any directions given by special resolution, the business of the Company is ultimately managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or otherwise. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertakings, property, assets and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company to any third party.

Qualifying third party indemnity provisions

As at the date of this report, there are qualifying third party indemnity provisions governed by the Act in place under which the Company has agreed to indemnify the Directors, former Directors and the Company Secretary of the Company, together with those who have held or hold these positions as officers of other Group companies or of associate or affiliated companies and members of the Executive Committee, to the extent permitted by law and the Articles against all liability arising in respect of any act or omission in their duties. In addition the Company maintains Directors' and Officers' liability insurance for each Director of the Group and its associated companies.

No Director of the Company or of any associated company shall be accountable to the Company or the members for any benefit provided pursuant to the Articles and receipt of any such benefit shall not disqualify any person from being or becoming a Director of the Company.

Property, plant and equipment

The Directors are of the opinion that the value of land and buildings included within the Group's property, plant and equipment is in excess of book value but that the difference is not material in relation to the affairs of the Group.

Disclosure of information to auditor

So far as each of the Directors is aware, there is no relevant audit information (that is, information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is not aware.

Each of the Directors has taken all the relevant steps that they ought to have taken in accordance with their duty as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Act.

Charitable and political contributions

During the year the Group made charitable donations of £45,700 (2010: £36,100). Of the donations in the current year £5,000 was to the University College London Hospitals Charitable Foundation and the remainder was to local and good causes.

No political contributions were made during the year (2010: £nil).

Offices

The Group had 25 offices (excluding those offices undertaking an administrative function only) located throughout Britain at the end of the financial year. A full list of the Group's offices and their locations can be obtained from the Company Secretariat at the registered office of the Company or from the Company's website www.barrattdevelopments.co.uk.

Risk management objectives

The principal operational risks of the business are detailed on pages 32 to 35. The Group's financial assets, financial liabilities and derivative financial instruments are detailed in notes 22, 23 and 24 to the financial statements. Details of the Group's liquidity, market (price), credit and cash flow risks are set out in note 25 to the financial statements.

Likely future developments

An indication of likely future developments in the Group including in the field of research and development is given in the Business review on pages 15 to 35.

Creditor payments

The Group is responsible for agreeing the detail of terms and conditions relating to transactions with its suppliers. It is Group policy to ensure that suppliers are made aware of the terms of payment and to abide by the agreed terms of payment with suppliers where the goods and services have been supplied in accordance with the relevant terms and conditions of contract. Implementation of this policy resulted in a supplier payment period by the Company of 26 days (2010: 29 days) for its trade creditors at 30 June 2011.

Capital structure

The Company has a single class of share capital which is divided into ordinary shares of 10 pence each. All issued shares are in registered form and are fully paid. Details of the Company's issued share capital and of the movements in the share capital during the year can be found in note 27 on page 110.

Subject to the Articles, the Act and other shareholders' rights, shares are at the disposal of the Board. At each AGM the Board seeks authorisation from its shareholders to allot shares. At the AGM held on 17 November 2010, the Directors were given authority to allot shares up to a nominal value of £32,174,150 (representing approximately 33.33% of the nominal value of the Company's issued share capital), such authority to remain valid until the end of the 2011 AGM or close of business on 16 February 2012, whichever is earlier. A resolution to renew this authority will be proposed at the 2011 AGM.

Rights and obligations attaching to shares

Subject to any rights attached to existing shares, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide.

Subject to the Act, the Articles specify that rights attached to any existing class of shares may be varied either with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

Voting

Subject to any special terms as to voting upon which any shares may be issued or may at the relevant time be held, every member present in person or by proxy at a general meeting or class meeting has one vote upon a show of hands or, upon a poll vote, one vote for every share of which they are a holder. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of votes of the other joint holders and seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

In accordance with the Act, each member is entitled to appoint one or more proxies, and in the case of corporations, more than one corporate representative to exercise all or any of their rights to attend, speak and vote on their behalf at a general meeting or class meeting. The timescales for appointing proxies are set out in the Notice of the 2011 AGM.

No member shall be entitled to vote at any general meeting or class meeting in respect of any shares held by them if any call or other sum then payable by them in respect of that share remains unpaid or if they have been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Act.

Transfer of shares

Shares in the Company may be in uncertificated or certificated form. Title to uncertificated shares may be transferred by means of a relevant system and certificated shares may be transferred by an instrument of transfer as approved by the Board. The transferor of a share is deemed to remain the holder until the transferee's name is entered into the Company's register of members.

There are no restrictions on the transfer of shares except as follows. The Board may, in its absolute discretion and without giving any reason, decline to register any transfer of any share which is not a fully paid share. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four. The Board may decline to register a transfer of a certificated share unless the instrument of transfer: (i) is duly stamped or certified or otherwise shown to the satisfaction of the Board

to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require; (ii) is in respect of only one class of share; and (iii) if joint transferees, is in favour of not more than four such transferees; or where the transfer is requested by a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a restriction notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Act, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).

Shareholder authority for purchase of own shares

At the Company's AGM held on 17 November 2010, shareholders gave authority to the Company to buy back up to an aggregate of 96,522,452 ordinary shares (representing 10% of the Company's issued share capital). This authority is valid until the end of the 2011 AGM or close of business on 16 February 2012, whichever is the earlier. Under the authority there is a minimum and maximum price to be paid for such shares. Any shares which are bought back may be held as treasury shares or, if not so held, will be cancelled immediately upon completion of the purchase, thereby reducing the Company's issued share capital.

No purchases had been made under this authority as at the date of this report. A resolution renewing the authority will be proposed at the 2011 AGM.

Dividends and distributions

Subject to the provisions of the Act, the Company may by ordinary resolution from time to time declare dividends for payment to the holders of the ordinary shares of 10 pence each, of an amount which does not exceed the amount recommended by the Board. The Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies their payment. If the Board acts in good faith, it is not liable to holders of shares with preferred or *pari passu* rights for losses arising from the payment of interim or fixed dividends on other shares.

The Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% interest if such person has been served with a restriction notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Act.

Shareholder arrangements to waive dividends

The Barratt Developments Employee Benefit Trust (the 'EBT') holds ordinary shares in the Company for the purpose of satisfying options and awards that have been granted under the various employee share schemes operated by the Company. Details of the shares so held are set out in note 27.

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

The Trustees of the EBT may vote or abstain from voting on shares held in the EBT in any way they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the EBT or their dependants.

Major shareholders

In accordance with the UKLA's Disclosure and Transparency Rules (the 'DTR') all notifications received by the Company are published on the Company's website www.barrattdevelopments.co.uk and via a Regulated Information Service.

As at the date of this report, the Company had received notifications, in accordance with DTR 5, of the notifiable interests set out in Table 10, in the voting rights in the Company's issued share capital.

Table 10 – Notifiable Interests

Name	Number of voting rights	Total % of issued share capital	Nature of holding
Standard Life Investments Ltd	47,711,714	4.943	Direct & Indirect
Legal & General Group Plc	37,886,028	3.92	Direct
JP Morgan Chase & Co.	17,286,656	4.98	Indirect
Phoenix Asset Management Partners Limited	48,256,698	4.99	Direct
Polaris Capital Management LLC	34,606,679	3.59	Indirect
FMR LLC	34,579,199	8.24	Indirect

Employee share schemes

Details of employee share schemes are set out in note 28.

Articles of Association

The Articles contain regulations which deal with matters such as appointment and removal of Directors, Directors' interests and proceedings at general and board meetings. Any amendments to the Articles may be made in accordance with the provisions of the Act by way of special resolution at a general meeting.

Significant agreements

The following significant agreements contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company:

- under the credit facility agreement dated 5 February 2007, the revolving credit facility agreement dated 9 July 2008 and the revolving credit facility agreement dated 2 February 2005 (each as amended and restated from time to time and most recently with effect from 10 May 2011), and the two forward start credit facility agreements each dated 10 May 2011, in each case between, amongst others, the Company, Lloyds TSB Bank Plc (as the facility agent) and the banks and financial institutions named therein as lenders (together, the 'Credit Facility Agreements'), the facility agent must, upon a change of control, cancel the total commitments of the lenders under such Credit Facility Agreements and declare all outstanding loans, together with accrued interest and any other amounts payable under such Credit Facility Agreements, to be immediately due and payable. For these purposes, a 'change of control' occurs if any person or group of persons acting in concert (as defined in the Takeover Code) gains control (as defined in the Corporation Tax Act 2010) of the Company;
- under the privately-placed notes originally amounting in aggregate to £105.0m and \$300.0m (the 'Remaining Notes') issued pursuant to a note purchase agreement dated 23 August 2007 and a note purchase agreement dated 23 April 2008 (each as amended and restated from

time to time and most recently with effect from 10 May 2011) and under the privately placed notes amounting in aggregate to \$80m (the 'New Notes'), and the New Notes together with the Remaining Notes (the 'Notes') issued pursuant to two note purchase agreements (for \$15.0m and \$65.0m respectively) dated 10 May 2011 by the Company to various institutions, the holders of the Notes have an option to require the Company to repay the entire unpaid principal amount of the Notes held by each holder (at par), together with interest accrued thereon but without any 'make-whole' amount following a change of control (a change of control occurring when any person or group of persons acting in concert (as defined in the Takeover Code) acquires more than 50% of the issued share capital of the Company carrying voting rights); and

- under the £100m term facility agreement between, amongst others, the Company and Prudential/M&G UK Companies Financing Fund LP dated 10 May 2011, the facility agent must, upon change of control, cancel the total commitments outstanding and declare the loan, together with all other amounts payable in respect of such term facility, to be immediately due and payable. For these purposes 'change of control' occurs if any person or group of persons acting in concert (as defined in the Takeover Code) gains control (as defined in the Corporation Tax Act 2010) of the Company.

The note purchase agreements also impose upon the holders customary restrictions on resale or transfer of the notes other than in compliance with applicable securities laws.

On behalf of the Board

Tom Keevil

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

13 September 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Financial statements and accounting records

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the International Accounting Standards Regulation (the 'IAS Regulation') to prepare the Group financial statements under International Financial Reporting Standards as adopted by the European Union ('IFRS') and have also elected to prepare the Parent Company financial statements in accordance with IFRS. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation. Under the Disclosure and Transparency Rules, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

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

- a) the Group and Parent Company financial statements in this report, which have been prepared in accordance with IFRS, Standing Interpretation Committee interpretations as adopted and endorsed by the European Union, International Financial Reporting Interpretations Committee interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and
- b) the management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

The Directors of the Company and their functions are listed on pages 36 and 37.

By order of the Board

Mark Clare
GROUP CHIEF EXECUTIVE
13 September 2011

David Thomas
GROUP FINANCE DIRECTOR
13 September 2011

The Report of the Directors from pages 2 to 64 inclusive was approved by the Board on 13 September 2011 and is signed on its behalf by:

Tom Keevil
GROUP GENERAL COUNSEL AND COMPANY SECRETARY
13 September 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARRATT DEVELOPMENTS PLC

We have audited the financial statements of Barratt Developments PLC for the year ended 30 June 2011 which comprise the Consolidated income statement, the Group and Parent Company statements of comprehensive income, the Group and Parent Company statements of changes in shareholders' equity, the Group and Parent Company balance sheets, the Group and Parent Company cash flow statements, the Accounting policies, impact of standards and interpretations in issue but not yet effective, critical accounting judgements and key sources of estimation uncertainty and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ('IFRS') and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement contained within the Report of the Directors in relation to going concern;
- the part of the Corporate Governance statement relating to the Parent Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Graham Richardson (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

13 September 2011

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2011

	Notes	2011 Before exceptional items £m	2011 Exceptional items (note 3) £m	2011 £m	2010 Before exceptional items £m	2010 Exceptional items (note 3) £m	2010 £m
Continuing operations							
Revenue	1,2	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	4	135.0	(7.7)	127.3	90.1	(15.8)	74.3
Finance income	5	18.0	–	18.0	13.4	–	13.4
Finance costs	5	(110.4)	(46.5)	(156.9)	(135.0)	(114.1)	(249.1)
Net finance costs	5	(92.4)	(46.5)	(138.9)	(121.6)	(114.1)	(235.7)
Share of post-tax profit/(loss) from joint ventures	13	0.1	–	0.1	(1.5)	–	(1.5)
Share of post-tax profit from associates	13	–	–	–	–	–	–
Profit/(loss) before tax		42.7	(54.2)	(11.5)	(33.0)	(129.9)	(162.9)
Tax	7	(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

The notes on pages 72 to 120 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

Year ended 30 June 2011

	Notes	2011 £m	Group 2010 £m	2011 £m	Company 2010 £m
Loss for the year		(13.8)	(118.4)	(73.1)	(143.6)
Other comprehensive (expense)/income					
Amounts deferred in respect of effective cash flow hedges	5,29	(23.6)	(43.6)	(23.6)	(43.6)
Actuarial gains/(losses) on defined benefit pension schemes	26	22.0	(26.3)	22.0	(26.3)
Fair value adjustment on available for sale financial assets	15	2.5	–	–	–
Tax (charge)/credit on items taken directly to equity	7	(1.7)	19.9	(0.9)	19.5
Net loss recognised directly in equity		(0.8)	(50.0)	(2.5)	(50.4)
Amortisation of losses on cancelled interest rate swaps deferred in equity	5	–	0.2	–	0.2
Amounts reclassified to the income statement in respect of hedged cash flows	5,29	28.5	14.1	28.5	14.1
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur – exceptional	5,29	29.8	50.1	29.8	50.1
Tax charge on items taken directly to equity	7	(16.0)	(18.0)	(16.0)	(18.0)
Net profit transferred		42.3	46.4	42.3	46.4
Total comprehensive income/(expense) recognised for the year attributable to equity shareholders		27.7	(122.0)	(33.3)	(147.6)

The notes on pages 72 to 120 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Group 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.

The notes on pages 72 to 120 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Company 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)	11.5	1,123.4	1,132.1	2,418.5
Loss for the year	–	–	–	–	–	–	(143.6)	(143.6)	(143.6)
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)	–	–	7.3	7.3	1.5
Total comprehensive expense recognised for the year ended 30 June 2010	–	–	–	15.0	–	–	(162.6)	(162.6)	(147.6)
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)	9.4	1,593.9	1,598.3	2,961.5
Loss for the year	–	–	–	–	–	–	(73.1)	(73.1)	(73.1)
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
Actuarial gains on pension scheme	–	–	–	–	–	–	22.0	22.0	22.0
Tax on items taken directly to equity	–	–	–	(10.4)	–	0.1	(6.6)	(6.5)	(16.9)
Total comprehensive expense recognised for the year ended 30 June 2011	–	–	–	24.3	–	0.1	(57.7)	(57.6)	(33.3)
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)	11.3	1,536.6	1,542.9	2,930.4

* 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.

The notes on pages 72 to 120 form an integral part of these financial statements.

BALANCE SHEETS

At 30 June 2011

	Notes	2011 £m	Group 2010 £m	2011 £m	Company 2010 £m
Assets					
Non-current assets					
Other intangible assets	11	100.0	100.0	–	–
Goodwill	10	792.2	792.2	–	–
Property, plant and equipment	12	5.6	6.7	0.7	1.1
Investments	14	–	–	2,617.7	2,615.4
Investments accounted for using the equity method	13	102.8	79.9	–	–
Available for sale financial assets	15	169.4	136.3	–	–
Trade and other receivables	18	5.7	0.8	–	–
Deferred tax assets	16	143.2	173.3	48.7	80.8
Derivative financial instruments – swaps	24	25.0	32.7	25.0	32.7
		1,343.9	1,321.9	2,692.1	2,730.0
Current assets					
Inventories	17	3,296.8	3,342.3	–	–
Trade and other receivables	18	58.7	66.1	781.8	899.8
Cash and cash equivalents	21	72.7	546.5	57.1	522.1
Current tax assets		3.2	–	–	–
		3,431.4	3,954.9	838.9	1,421.9
Total assets		4,775.3	5,276.8	3,531.0	4,151.9
Liabilities					
Non-current liabilities					
Loans and borrowings	23	(405.5)	(918.6)	(405.5)	(918.6)
Trade and other payables	19	(352.5)	(300.8)	–	–
Retirement benefit obligations	26	(11.8)	(46.1)	(11.8)	(46.1)
Derivative financial instruments – swaps	24	(37.0)	(72.4)	(37.0)	(72.4)
		(806.8)	(1,337.9)	(454.3)	(1,037.1)
Current liabilities					
Loans and borrowings	23	(11.2)	(23.2)	(106.6)	(116.3)
Trade and other payables	19	(1,027.2)	(1,012.7)	(39.7)	(36.1)
Current tax liabilities		–	(2.8)	–	(0.9)
		(1,038.4)	(1,038.7)	(146.3)	(153.3)
Total liabilities		(1,845.2)	(2,376.6)	(600.6)	(1,190.4)
Net assets		2,930.1	2,900.2	2,930.4	2,961.5
Equity					
Share capital	27	96.5	96.5	96.5	96.5
Share premium		206.6	206.6	206.6	206.6
Merger reserve		1,109.0	1,109.0	1,109.0	1,109.0
Hedging reserve		(24.6)	(48.9)	(24.6)	(48.9)
Retained earnings		1,542.6	1,537.0	1,542.9	1,598.3
Total equity		2,930.1	2,900.2	2,930.4	2,961.5

The financial statements of Barratt Developments PLC (registered number 604574) were approved by the Board of Directors and authorised for issue on 13 September 2011. Signed on behalf of the Board of Directors

Mark Clare
Group Chief Executive

David Thomas
Group Finance Director

The notes on pages 72 to 120 form an integral part of these financial statements.

CASH FLOW STATEMENTS

Year ended 30 June 2011

	Notes	2011 £m	Group 2010 £m	2011 £m	Company 2010 £m
Net cash inflow from operating activities	30	100.2	291.4	46.5	245.3
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(0.7)	(0.4)	(0.1)	(0.3)
Acquisition of subsidiaries net of cash acquired	32	(1.1)	–	–	–
(Increase)/decrease in investments accounted for using the equity method	13	(22.8)	1.8	–	–
Interest received		4.4	6.5	40.1	55.9
Net cash (outflow)/inflow from investing activities		(20.2)	7.9	40.0	55.6
Cash flows from financing activities					
Proceeds from issue of share capital		–	720.5	–	720.5
Share issue costs		–	(27.5)	–	(27.5)
Purchase of shares by Employee Benefit Trust		–	(2.2)	–	(2.2)
Make-whole fee on redemption of private placement notes		–	(4.9)	–	(4.9)
Hedging termination costs		(27.1)	(49.7)	(27.1)	(49.7)
Other fees related to amendment of financing arrangements	5	(8.6)	(6.5)	(8.6)	(6.5)
Loan repayments		(518.1)	(561.3)	(515.8)	(571.5)
Net cash (outflow)/inflow from financing activities		(553.8)	68.4	(551.5)	58.2
Net (decrease)/increase in cash and cash equivalents		(473.8)	367.7	(465.0)	359.1
Cash and cash equivalents at the beginning of year		546.5	178.8	522.1	163.0
Cash and cash equivalents at the end of year	21	72.7	546.5	57.1	522.1

The notes on pages 72 to 120 form an integral part of these financial statements.

ACCOUNTING POLICIES

Year ended 30 June 2011

Basis of preparation

These financial statements have 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') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore the Group financial statements comply with Article 4 of the EU International Accounting Standards Regulation. The financial statements have 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. A summary of the more significant Group accounting policies is set out below.

The preparation of 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 financial statements are set out in 'Critical accounting judgements and key sources of estimation uncertainty'.

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 on pages 6 to 11 and the Business review on pages 14 to 35. The material financial and operational risks and uncertainties that may impact the Group's performance and their mitigation are outlined on pages 32 to 35 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 25 to the financial statements.

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 on pages 32 to 35, 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 these financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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 15.

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 24 and 25 to the financial statements.

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 22, 23 and 24 to the financial statements. Movements on the hedging reserve in equity are detailed in the statements 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.

IMPACT OF STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

At the date of approval of these financial statements there were a number of standards, amendments and interpretations that have been published and are therefore mandatory for the Group's accounting periods beginning on or after 1 July 2011 and later periods. IAS24 (Revised), Improvements to IFRSs, issued in May 2010, Amendment to IAS12 and Amendment to IFRIC14 have been adopted by the EU. The Group has not early-adopted any standard, amendment or interpretation.

The standards, amendments and interpretations that are expected to impact upon the Group are:

- IFRS9 'Financial Instruments' is likely to apply to the Group from 1 July 2013. The new standard was issued in November 2009 as the first step in the International Accounting Standard Board's (IASB) project to replace IAS39 'Financial Instruments: Recognition and Measurement'. IFRS9 introduces new requirements for classifying and measuring financial assets. The IASB is in the process of expanding IFRS9 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment and hedge accounting. The Group is currently assessing the impact of the standard on the Group's results and financial position and will continue to assess the impact as the standard is revised by the IASB. IFRS10 'Consolidated Financial Statements' will apply to the Group from 1 July 2013. The new standard was issued in May 2011 to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The Group is currently assessing the impact of the standard on the Group's results and financial position.
- IFRS11 'Joint Arrangements' will apply to the Group from 1 July 2013. The new standard was issued in May 2011 and requires that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. The Group is currently assessing the impact of the standard on the Group's results and financial position.
- IFRS12 'Disclosure of Interest in Other Entities' will apply to the Group from 1 July 2013. The new standard was issued in May 2011 and requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The Group is currently assessing the impact of the standard on the financial statements of the Group.
- IFRS13 'Fair Value Measurement' will apply to the Group from 1 July 2013. The new standard was issued in May 2011 and defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The Group is currently assessing the impact of the standard on the Group's results and financial position.
- IAS24 (Revised) 'Related Party Transactions' will apply to the Group from 1 July 2011. The revised standard is expected to impact upon the Group by requiring additional disclosures in the annual financial statements.
- IAS27 (Revised) 'Separate Financial Statements' will apply to the Group from 1 July 2013. The Group is currently assessing the impact of the amendment on the financial statements of the Group.
- IAS28 (Revised) 'Investments in Associates and Joint Ventures' will apply to the Group from 1 July 2013. The Group is currently assessing the impact of the amendment on the financial statements of the Group.
- Improvements to IFRSs, issued in May 2010, is the 2010 tranche of the IFRS Improvements project and includes a number of minor amendments to existing IFRS, which require implementation from 1 July 2011. The amendments are expected to impact upon the Group by requiring additional disclosures in the annual financial statements.

The adoption of the following standards, amendments and interpretations is not expected to have any material impact on the financial statements of the Group:

- Amendment to IAS12 'Deferred tax: Recovery of Underlying Assets' provides an exception to the general principles of IAS12 for investment property measured using the fair value model in IAS40 'Investment Property'. The amendment applies to the Group from 1 July 2012 and is not expected to have an impact on the Group.
- Amendment to IFRIC14 'Prepayments of a Minimum Funding Requirement' was issued to correct an unintended consequence of the interpretation which, in some circumstances, prevented the recognition as an asset some voluntary prepayments for minimum funding contributions. The amendment applies to the Group from 1 July 2011 and is not expected to have an impact on the Group.

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 these financial statements.

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.

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 £m	Commercial developments £m	Total £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 on page 86.

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 as defined in note 11. 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.

Further information is set out in note 11 on page 87.

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 24) 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).

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue

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

	Notes	2011 £m	2010 £m
Sale of goods		1,868.5	1,897.9
Contract accounting revenue		166.9	137.3
Revenue as stated in the income statement		2,035.4	2,035.2
Lease income	31	4.1	3.3
Finance income	5	18.0	13.4
Forfeit deposits		1.4	1.4
Other income		12.5	14.4
Total revenue		2,071.4	2,067.7

Sale of goods includes £373.1m (2010: £247.2m) of revenue generated where the sale has been achieved using part-exchange incentives. Proceeds received on the disposal of part-exchange properties, which are not included in revenue, were £198.2m (2010: £153.8m).

2. 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.

	House- building Units	Commercial developments Units	2011 Total Units	House- building Units	Commercial developments Units	2010 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)

2. Segmental analysis (continued)

	House-building £m	Commercial developments £m	2011 Total £m	House- building £m	Commercial developments £m	2010 Total £m
Balance sheet						
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

3. 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 17.

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).

4. Profit/(loss) from operations

Profit/(loss) from operations is stated after charging/(crediting):

	Notes	2011 £m	2010 £m
Staff costs	8	205.0	176.9
Government grants		(37.3)	(20.3)
Depreciation of property, plant and equipment	12	1.8	3.6
Lease income	31	(4.1)	(3.3)
Operating lease charges			
– hire of plant, machinery and vehicles		12.7	11.0
– other		11.1	14.0

Government grants of £16.8m (2010: £36.2m) were received in the year relating to Government initiatives including first-time buyer, National Affordable Housing Programme and Kickstart. Grant income of £37.3m (2010: £20.3m) was recognised in the income statement in relation to house sales completed under these initiatives.

Administrative expenses before exceptional costs of £92.8m (2010: £94.7m) include sundry income of £13.9m (2010: £15.8m) which is disclosed within other revenue in note 1.

Profit/(loss) from operations is stated after charging the Directors' emoluments disclosed in the Remuneration report on page 56 and in note 8.

The remuneration paid to Deloitte LLP, the Group's principal auditor, is disclosed below:

	2011 £000	2010 £000
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	65	70
The audit of the Company's subsidiaries pursuant to legislation	235	246
The audit of the Company's joint ventures pursuant to legislation	40	24
Total fees for audit of the Company, its subsidiaries and joint ventures	340	340
Amounts for statutory and regulatory filings	–	1,097
Other services pursuant to legislation	50	80
Other services relating to tax	167	–
Other services	37	4
Total fees for other services	254	1,181
Total fees	594	1,521

During the year Deloitte LLP was appointed as the Group's principal tax adviser. Auditor objectivity and independence is considered in the Report of the Directors (see page 45).

Other services pursuant to legislation comprise the reviews of interim financial statements. In the year ended 30 June 2011, other services mainly comprised advisory services related to significant transactions including new joint venture agreements and other accounting advice.

In the year ended 30 June 2010, amounts for statutory and regulatory filings included fees in respect of work performed in relation to the Placing and the Rights Issue.

5. Net finance costs

Recognised in income statement

	Notes	2011 £m	2010 £m
Finance income on short-term bank deposits		(1.2)	(0.5)
Imputed interest on available for sale financial assets	15	(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 loan payables		27.6	26.5
Finance costs related to employee benefits	26	0.9	1.6
Amounts reclassified to the income statement in respect of hedged cash flows	29	28.5	14.1
Foreign exchange (gains)/losses on US Dollar debt	6	(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	3	46.5	114.1
Total finance costs		156.9	249.1
Net finance costs		138.9	235.7

Recognised in equity

	Notes	2011 £m	2010 £m
Amounts deferred in respect of effective cash flow hedges	29	23.6	43.6
Total fair value losses on cash flow swaps included in equity		23.6	43.6
Amortisation of losses on cancelled interest rate swaps		–	(0.2)
Amounts reclassified to the income statement in respect of hedged cash flows	29	(28.5)	(14.1)
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur – exceptional	29	(29.8)	(50.1)
Total fair value losses on cash flow swaps transferred to equity		(58.3)	(64.4)

6. Financial instruments gains and losses

The net (gains) and losses recorded in the consolidated income statement, in respect of financial instruments (excluding interest shown in note 5) were as follows:

	Notes	2011 £m	2010 £m
Loans and receivables			
Impairment of trade receivables	18	2.3	0.3
Available for sale financial assets			
Net loss transferred on sale		0.8	0.5
Net impairment of available for sale financial assets	15	16.3	6.1
Other financial liabilities			
Foreign exchange (gains)/losses on US Dollar debt		(7.0)	11.9
Transfers to/(from) hedged items			
Transfer to/(from) equity on currency cash flow hedges		7.0	(11.9)

7. Tax

Analysis of the tax charge/(credit) for the year

	Notes	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	–
	16	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 (note 16).

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% in these financial statements.

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 in these financial statements.

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 in these financial statements.

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.

8. Key management and employees

Key management personnel, as defined under IAS 24 'Related Party Disclosures', have been identified as the Board of Directors as the controls operated by the Group ensure that all key decisions are reserved for the Board. Detailed disclosures of Directors' individual remuneration, pension entitlements and share options, for those Directors who served during the year, are given in the audited sections of the Remuneration report on pages 56 to 59 which form part of these financial statements. A summary of key management remuneration is as follows:

	2011 £m	2010 £m
Salaries and fees (including pension compensation)	2.8	2.9
Social security costs	0.7	0.6
Performance bonus	1.0	1.6
Benefits	0.1	0.1
Pension costs	–	–
Share-based payments	–	0.4
	4.6	5.6

	2011 Number	Group 2010 Number
Average staff numbers (excluding subcontractors, including Directors)	4,405	4,128

	Notes	2011 £m	Group 2010 £m	2011 £m	Company 2010 £m
Wages and salaries including bonuses (including Directors)		174.4	153.4	15.9	16.0
Redundancy costs	3	3.7	0.6	0.6	0.6
Social security costs		19.1	17.0	1.9	1.9
Other pension costs	26	6.4	6.5	0.6	0.5
Share-based payments	28	1.4	(0.6)	(0.1)	0.1
Total staff costs	4	205.0	176.9	18.9	19.1

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

	Group £m
Cost	
At 1 July 2009, 30 June 2010 and 30 June 2011	816.7
Accumulated impairment losses	
At 1 July 2009, 30 June 2010 and 30 June 2011	24.5
Carrying amount	
At 30 June 2010 and 30 June 2011	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 cyclicity 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 on page 79.

11. Intangible assets

	Group Brands £m
Cost	
At 1 July 2009, 30 June 2010 and 30 June 2011	107.0
Amortisation	
At 1 July 2009, 30 June 2010 and 30 June 2011	7.0
Carrying amount	
At 30 June 2010 and 30 June 2011	100.0

Brands

The Group does not amortise the housebuilding brand acquired with Wilson Bowden, being David Wilson Homes, valued at £100.0m, as the Directors consider that this brand has an indefinite useful economic life due to the fact that the Group intends to hold and support the brand for an indefinite period and there are no factors that would prevent it from doing so.

The Group tests indefinite life brands annually for impairment, or more frequently if there are indications that they might be impaired. At 30 June 2011 an impairment review was conducted using the calculations and assumptions as explained in note 10. The conclusion of this impairment review was that the Group's David Wilson Homes brand was not impaired.

The brand of Wilson Bowden Developments (valued at £7.0m prior to amortisation) was being amortised over ten years as it is a business-to-business brand operating in niche markets. Following an impairment review at 30 June 2008, the Wilson Bowden Developments brand was fully impaired.

Further information is given in Critical accounting judgements and key sources of estimation uncertainty on page 79.

12. Property, plant and equipment

	Property £m	Plant and equipment £m	Group Total £m	Property £m	Plant and equipment £m	Company Total £m
Cost						
At 1 July 2009	10.0	10.3	20.3	0.8	4.5	5.3
Additions	–	0.4	0.4	–	0.3	0.3
Disposals	–	(0.4)	(0.4)	–	–	–
At 30 June 2010	10.0	10.3	20.3	0.8	4.8	5.6
Additions	–	0.7	0.7	0.1	–	0.1
Transfers	(2.4)	2.4	–	–	–	–
Disposals	–	(1.4)	(1.4)	–	–	–
At 30 June 2011	7.6	12.0	19.6	0.9	4.8	5.7
Depreciation						
At 1 July 2009	3.4	7.0	10.4	0.5	2.0	2.5
Charge for the year	0.4	3.2	3.6	0.3	1.7	2.0
Disposals	–	(0.4)	(0.4)	–	–	–
At 30 June 2010	3.8	9.8	13.6	0.8	3.7	4.5
Charge for the year	0.4	1.4	1.8	0.1	0.4	0.5
Transfers	(0.5)	0.5	–	–	–	–
Disposals	–	(1.4)	(1.4)	–	–	–
At 30 June 2011	3.7	10.3	14.0	0.9	4.1	5.0
Net book value						
At 30 June 2010	6.2	0.5	6.7	–	1.1	1.1
At 30 June 2011	3.9	1.7	5.6	–	0.7	0.7

Authorised future capital expenditure that was contracted but not provided for in these financial statements amounted to £nil (2010: £nil).

13. Investments accounted for using the equity method

During the year the Group entered into four new joint venture arrangements: Alie Street LLP; Queensland Road LLP; Barratt East Grinstead Limited (through APCA Limited); and Barratt Osborne Worthing LLP.

The Group equity accounts for jointly controlled entities. The Group has significant interests in the following jointly controlled entities:

Joint venture	Percentage owned	Country of registration	Principal activity
Base Regeneration LLP	50.0%	England and Wales	Housebuilding
Base East Central Rochdale LLP	50.0%	England and Wales	Housebuilding
Base Hattersley LLP	50.0%	England and Wales	Housebuilding
Base Werneth Oldham LLP	50.0%	England and Wales	Housebuilding
Barratt Wates (Horley) Limited ¹	78.5%	England and Wales	Housebuilding
Ravenscraig Limited ²	33.3%	Scotland	Commercial development
DWH/Wates (Thame) Limited	50.0%	England and Wales	Housebuilding
Barratt Metropolitan LLP	50.0%	England and Wales	Housebuilding
Wandsworth Parkside LLP	50.0%	England and Wales	Housebuilding
Alie Street LLP	50.0%	England and Wales	Housebuilding
Queensland Road LLP	50.0%	England and Wales	Housebuilding
APCA Limited	50.0%	England and Wales	Housebuilding
Barratt East Grinstead Limited ³	50.0%	England and Wales	Housebuilding
Barratt Osborne Worthing LLP	50.0%	England and Wales	Housebuilding

¹ Barratt Wates (Horley) Limited is classified as a joint venture as the Group has equal control with one other joint venture partner.

² Ravenscraig Limited is classified as a joint venture as the Group has equal control and ownership percentages with two joint venture partners.

³ Barratt East Grinstead Limited is a wholly owned subsidiary of APCA Limited.

During the year the Group entered into an arrangement comprising of two associated undertakings, New Tyne West Development Company LLP and BKY LLP.

BKY LLP and New Tyne West Development Company LLP will prepare financial statements to 31 December which is non-coterminous with the Group.

Associate	Percentage owned	Country of registration	Principal activity
BKY LLP	33.3%	England and Wales	Housebuilding
New Tyne West Development Company LLP ⁴	16.7%	England and Wales	Housebuilding

⁴ New Tyne West Development Company LLP is classified as an associate as the Group exerts significant influence over the entity as part of the BKY LLP arrangements.

Joint Ventures

	2011 £m	Group 2010 £m
At 1 July	79.9	83.2
Net increase/(decrease) in investments in joint ventures	22.8	(1.8)
Share of post-tax profit/(loss) for the year	0.1	(1.5)
At 30 June	102.8	79.9

13. Investments accounted for using the equity method (continued)

In relation to the Group's interests in joint ventures, the Group's share of assets and liabilities of the joint ventures is shown below:

	2011 £m	Group 2010 £m
Current assets	108.6	78.4
Current liabilities	(35.5)	(21.4)
Non-current liabilities	(82.7)	(65.1)
Net liabilities of joint ventures	(9.6)	(8.1)

The Group has made loans of £111.0m (2010: £88.0m) to its joint ventures which are included within Group investments. Included within the Group's share of net liabilities of joint ventures is a proportion of loans to the joint ventures calculated using the Group's ownership share of £96.4m (2010: £81.0m).

The Group's share of the joint ventures' income and expenses during the year is shown below:

	2011 £m	Group 2010 £m
Income	18.0	12.2
Expenses	(17.3)	(13.0)
	0.7	(0.8)
Tax	(0.6)	(0.7)
Share of post-tax profit/(loss) from joint ventures	0.1	(1.5)

During the year the Group entered into a number of transactions with its joint ventures in respect of funding and development management services (with charges made based on the utilisation of these services) in addition to the provision of construction services. Further details on these transactions are provided in note 34. The Group has a number of contingent liabilities relating to its joint ventures. Further details on these are provided in note 33.

Associates

In relation to the Group's interests in associates, the Group's share of assets and liabilities of the associates is £nil at 30 June 2011. The Group's share of the associates' income and expenses during the year is £nil.

The Group has made no loans to its associates in the year to 30 June 2011. Further details of transactions with associates are provided in note 34.

The Group has contingent liabilities relating to its associates. Further details on these are provided in note 33.

14. Investments

	2011 £m	Company 2010 £m
Cost		
At 1 July	2,673.0	2,473.6
Investment in subsidiary	–	200.0
Increase/(decrease) in investment in subsidiaries related to share-based payments	2.3	(0.6)
At 30 June	2,675.3	2,673.0
Impairment		
At 1 July and 30 June	57.6	57.6
Net book value		
At 1 July	2,615.4	2,416.0
At 30 June	2,617.7	2,615.4

In the prior year, in order to strengthen the balance sheet of the Company's principal trading subsidiary BDW Trading Limited, following the deterioration in the UK housing market, the Company capitalised a loan of £200.0m in return for 200 £1 ordinary shares at a premium of £999,999 each.

The subsidiary undertakings which principally affected profits and net assets of the Group were:

Subsidiary	Percentage owned	Country of registration	Principal activity
BDW Trading Limited	100%	England and Wales	Housebuilding and development
BDW East Scotland Limited	100%	Scotland	Housebuilding and development
David Wilson Homes Limited	100%*	England and Wales	Housebuilding and development
Wilson Bowden Developments Limited	100%*	England and Wales	Commercial development

* Owned through another Group company.

A full list of subsidiary undertakings is available on request from the Company's registered office.

15. Available for sale financial assets

	Notes	2011 £m	Group 2010 £m
At 1 July		136.3	86.5
Additions		40.6	52.2
Disposals		(7.3)	(3.3)
Imputed interest	5	13.6	7.0
Net impairment taken through income statement	6	(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.

Further disclosures relating to financial assets are set out in note 22 and note 25(b)(i).

16. Deferred tax

The Group recognised a deferred tax asset/(liability) with the following movements in the year:

Group	Pension scheme £m	Share options £m	Tax losses £m	Hedging £m	Brands £m	ACA £m	Other (net) £m	Total £m
At 30 June 2009	8.8	0.9	130.1	24.9	(28.0)	1.3	(10.7)	127.3
Income statement (charge)/credit	(3.2)	0.5	46.6	–	–	(0.1)	0.3	44.1
Amounts taken directly to equity	7.3	0.4	–	(5.8)	–	–	–	1.9
At 30 June 2010	12.9	1.8	176.7	19.1	(28.0)	1.2	(10.4)	173.3
Income statement (charge)/credit	(3.2)	–	(19.7)	–	2.0	(0.4)	8.5	(12.8)
Acquired	–	–	–	–	–	–	0.4	0.4
Amounts taken directly to equity	(6.6)	–	–	(10.4)	–	–	(0.7)	(17.7)
At 30 June 2011	3.1	1.8	157.0	8.7	(26.0)	0.8	(2.2)	143.2

It is not anticipated that any of the deferred tax liability in respect of brands will reverse in the twelve months following the balance sheet date. Whilst it is anticipated that an element of the remaining deferred tax assets and liabilities will reverse during the twelve months following the balance sheet date, at present it is not possible to quantify the value of these reversals.

In addition to the above, the Group has not recorded a deferred tax asset of £5.6m (2010: £3.3m) in respect of capital and other losses because these are not considered recoverable in the foreseeable future.

The Company recognised a deferred tax asset with the following movements in the year:

Company	Pension scheme £m	Share options £m	Tax losses £m	Hedging £m	ACA £m	Other £m	Total £m
At 30 June 2009	8.8	0.1	–	24.9	0.2	0.6	34.6
Income statement (charge)/credit	(3.2)	0.1	47.8	–	0.4	(0.4)	44.7
Amounts taken directly to equity	7.3	–	–	(5.8)	–	–	1.5
At 30 June 2010	12.9	0.2	47.8	19.1	0.6	0.2	80.8
Income statement (charge)/credit	(3.2)	(0.1)	(12.9)	–	(0.1)	1.1	(15.2)
Amounts taken directly to equity	(6.6)	0.1	–	(10.4)	–	–	(16.9)
At 30 June 2011	3.1	0.2	34.9	8.7	0.5	1.3	48.7

All deferred tax relates to the United Kingdom and is stated on a net basis as the Group has a legally enforceable right to set-off the recognised amounts and intends to settle on a net basis.

The deferred tax asset/(liability) recognised comprise:

	Notes	2011 £m	Group 2010 £m	2011 £m	Company 2010 £m
Pension scheme	26	3.1	12.9	3.1	12.9
Hedging		8.7	19.1	8.7	19.1
Losses		157.0	176.7	34.9	47.8
Share options		1.8	1.8	0.2	0.2
Other items, including capital allowances		4.6	2.7	1.8	0.8
Deferred tax assets		175.2	213.2	48.7	80.8
Brands		(26.0)	(28.0)	–	–
Other items		(6.0)	(11.9)	–	–
Deferred tax liabilities		(32.0)	(39.9)	–	–
Net deferred tax asset		143.2	173.3	48.7	80.8

17. Inventories

	2011 £m	Group 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 the critical accounting judgements and key sources of estimation uncertainty section on page 78.

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.

d) Company

The Company has no inventories.

18. Trade and other receivables

	2011 £m	Group 2010 £m	2011 £m	Company 2010 £m
Non-current assets				
Other receivables	5.7	0.8	–	–
	5.7	0.8	–	–
Current assets				
Trade receivables	43.9	45.1	–	–
Amounts due from subsidiary undertakings	–	–	780.7	898.5
Other receivables	9.4	11.4	0.3	0.2
Prepayments and accrued income	5.4	9.6	0.8	1.1
	58.7	66.1	781.8	899.8

Trade and other receivables are non-interest bearing, and the Group has no concentration of credit risk, with exposure spread over a large number of debtors. Of the year end trade receivables the following were overdue but not impaired:

	2011 £m	Group 2010 £m
Ageing of overdue but not impaired receivables		
Less than three months	3.5	7.1
Greater than three months	2.9	5.6

The carrying values of trade and other receivables are stated after the following allowance for doubtful receivables:

	Notes	2011 £m	Group 2010 £m
At 1 July		3.0	4.6
Charge for the year	6	2.3	0.3
Uncollectible amounts written off, net of recoveries		(1.5)	(1.9)
At 30 June		3.8	3.0

The allowance for doubtful receivables consists of individually impaired trade receivables which are in default. The impairment recognised in cost of sales represents the difference between the carrying amount of these trade receivables and the present value of any expected recoveries. The Group does not hold any collateral over these balances.

The Directors consider that the carrying amount of trade receivables approximates to their fair value.

Further disclosures relating to financial assets are set out in note 22.

19. Trade and other payables

	2011 £m	Group 2010 £m	2011 £m	Company 2010 £m
Non-current liabilities				
Land payables	351.6	300.2	–	–
Other payables	0.9	0.6	–	–
	352.5	300.8	–	–
Current liabilities				
Trade payables	303.8	309.0	3.0	2.8
Land payables	349.1	266.6	–	–
Accruals and deferred income	302.8	333.9	36.7	33.3
Other tax and social security	1.5	6.6	–	–
Other payables	70.0	96.6	–	–
	1,027.2	1,012.7	39.7	36.1

Accruals and deferred income includes a £1.8m (2010: £1.8m) social security accrual relating to share-based payments (note 28).

Total payables include £263.6m (2010: £165.2m) secured by legal charges on certain assets.

Other non-current payables are unsecured and non-interest bearing.

Further disclosures relating to financial liabilities are set out in note 23.

20. Contract accounting

In relation to contracts in progress at the balance sheet date:

	2011 £m	Group 2010 £m
Amounts due from contract customers included in trade and other receivables	11.4	13.5
Amounts due to contract customers included in trade and other payables	(20.6)	(22.1)
	(9.2)	(8.6)
Contract costs incurred plus recognised profits less recognised losses to date	326.4	279.4
Less progress billings	(335.6)	(288.0)
	(9.2)	(8.6)

At 30 June 2011, retentions held by customers for contract work amounted to £7.7m (2010: £5.6m) of which £3.1m (2010: £1.7m) are due for settlement after twelve months. Advances received from customers for contract work amounted to £35.9m (2010: £49.1m) of which £5.1m (2010: £12.2m) relates to work which is not expected to be performed in the next twelve months.

21. Cash and cash equivalents

	2011 £m	Group 2010 £m	2011 £m	Company 2010 £m
Cash and cash equivalents	72.7	546.5	57.1	522.1

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

Further disclosures relating to financial assets are set out in note 22.

22. Financial assets

The carrying values and fair values of the Group's financial assets are as follows:

	Notes	Fair value £m	2011 Carrying value £m	Fair value £m	Group 2010 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	24	25.0	25.0	32.7	32.7
Loans and receivables					
Cash and cash equivalents	21	72.7	72.7	546.5	546.5
Trade and other receivables		36.8	36.8	35.9	35.9
Available for sale					
Available for sale financial assets	15	169.4	169.4	136.3	136.3
Total financial assets		303.9	303.9	751.4	751.4

The carrying values and fair values of the Company's financial assets are as follows:

	Notes	Fair value £m	2011 Carrying value £m	Fair value £m	Company 2010 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	24	25.0	25.0	32.7	32.7
Loans and receivables					
Cash and cash equivalents	21	57.1	57.1	522.1	522.1
Trade and other receivables	18	0.3	0.3	0.2	0.2
Intercompany loans	18	780.7	780.7	898.5	898.5
Total financial assets		863.1	863.1	1,453.5	1,453.5

Trade and other receivables excludes accrued income, amounts recoverable on contracts, prepayments and tax and social security. The fair values of financial assets and liabilities are determined as indicated in this note and note 23a.

The following table provides an analysis of financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Group 2011 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial assets	24	25.0	–	–	25.0
Available for sale					
Available for sale financial assets	15	–	169.4	–	169.4
Total		25.0	169.4	–	194.4

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Group 2010 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial assets	24	32.7	–	–	32.7
Available for sale					
Available for sale financial assets	15	–	136.3	–	136.3
Total		32.7	136.3	–	169.0

22. Financial assets (continued)

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Company 2011 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial assets	24	25.0	–	–	25.0
Total		25.0	–	–	25.0

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Company 2010 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial assets	24	32.7	–	–	32.7
Total		32.7	–	–	32.7

23. Financial liabilities

a) Fair value and carrying value

The carrying values and fair values of the Group's financial liabilities are as follows:

	Notes	Fair value £m	2011 Carrying value £m	Fair value £m	Group 2010 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	24	37.0	37.0	72.4	72.4
Other financial liabilities					
Trade and other payables		1,232.5	1,227.3	1,103.6	1,094.8
Loans and borrowings	23b	421.9	416.7	946.8	941.8
Total financial liabilities		1,691.4	1,681.0	2,122.8	2,109.0

The carrying values and fair values of the Company's financial liabilities are as follows:

	Notes	Fair value £m	2011 Carrying value £m	Fair value £m	Company 2010 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	24	37.0	37.0	72.4	72.4
Other financial liabilities					
Bank overdrafts	23b	106.3	106.3	104.8	104.8
Trade and other payables		34.0	34.0	29.7	29.7
Loans and borrowings	23b	411.0	405.8	935.1	930.1
Total financial liabilities		588.3	583.1	1,142.0	1,137.0

Trade and other payables excludes deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

The fair values of financial assets and liabilities are determined as follows:

- The fair values of available for sale financial assets represent the value of their discounted cash flows, which have been calculated using market assumptions of the likely period to redemption and movements in UK house prices.
- Derivative financial instruments are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other non-derivative financial assets and liabilities are determined based on discounted cash flow analysis using current market rates for similar instruments.

Trade and other payables include land payables, which may bear interest on a contract specific basis. Trade and other payables includes items secured by legal charge on certain assets as disclosed in note 19.

23. Financial liabilities (continued)

a) Fair value and carrying value (continued)

The following table provides an analysis of financial liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the liability that are not based on observable market data (unobservable inputs).

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Group 2011 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial liabilities	24	37.0	–	–	37.0
Total		37.0	–	–	37.0

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Group 2010 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial liabilities	24	72.4	–	–	72.4
Total		72.4	–	–	72.4

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Company 2011 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial liabilities	24	37.0	–	–	37.0
Total		37.0	–	–	37.0

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Company 2010 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial liabilities	24	72.4	–	–	72.4
Total		72.4	–	–	72.4

b) Drawn debt facilities

The drawn debt at 30 June comprises:

	2011 £m	Group 2010 £m	2011 £m	Company 2010 £m
Non-current				
Bank loans	175.2	726.9	175.2	726.9
Private placement notes	230.3	191.7	230.3	191.7
Total non-current borrowings	405.5	918.6	405.5	918.6
Current				
Bank overdrafts	–	–	106.3	104.8
Loan notes	0.3	0.3	0.3	0.3
Private placement notes	–	11.2	–	11.2
Kickstart equity funding	10.9	11.7	–	–
Total current borrowings	11.2	23.2	106.6	116.3
Total borrowings	416.7	941.8	512.1	1,034.9

23. Financial liabilities (continued)**b) Drawn debt facilities (continued)**

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

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

23. Financial liabilities (continued)

c) Net debt

Net debt at the year end is shown below:

	2011 £m	Group 2010 £m	2011 £m	Company 2010 £m
Cash and cash equivalents	72.7	546.5	57.1	522.1
Non-current borrowings				
Bank loans	(175.2)	(726.9)	(175.2)	(726.9)
Private placement notes	(230.3)	(191.7)	(230.3)	(191.7)
Total non-current borrowings	(405.5)	(918.6)	(405.5)	(918.6)
Current borrowings				
Bank overdrafts	–	–	(106.3)	(104.8)
Loan notes	(0.3)	(0.3)	(0.3)	(0.3)
Private placement notes	–	(11.2)	–	(11.2)
Kickstart equity funding	(10.9)	(11.7)	–	–
Total current borrowings	(11.2)	(23.2)	(106.6)	(116.3)
Total borrowings	(416.7)	(941.8)	(512.1)	(1,034.9)
Derivative financial instruments				
Foreign exchange swaps	21.4	28.4	21.4	28.4
Net debt	(322.6)	(366.9)	(433.6)	(484.4)

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

24. Derivative financial instruments – swaps

The Group and Company have entered into derivative financial instruments to manage interest rate and foreign exchange risks as explained in note 25. Neither the Group nor the Company enter into any derivatives for speculative purposes.

	Asset £m	2011 Liability £m	Asset £m	Group and Company 2010 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 and Company enter into derivative transactions in the form of swap arrangements to manage the cash flow risks, related to interest rates, arising from the Group's and Company's sources of finance.

All of the Group's and Company's interest rate swap arrangements contain a clause that allows the Group/Company 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) and the Company had outstanding net floating rate Sterling debt and overdrafts of £281.8m (2010: £832.0m). In obtaining this funding the Group and the Company 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 and Company have entered into swap arrangements to swap £192.0m (2010: £480.0m) of this debt into fixed rate Sterling debt in accordance with the Group and Company treasury policy outlined in note 25. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

£m	Fixed rate payable %	2011 Maturity	£m	Fixed rate payable %	2010 Maturity
–	–	–	142.5	5.79	2012
–	–	–	50.0	5.80	2012
60.0	6.08	2017	60.0	5.94	2017
19.5	6.18	2017	60.0	5.99	2017
32.5	5.83	2017	32.5	5.64	2017
30.0	5.94	2022	60.0	5.75	2022
50.0	5.63	2022	75.0	5.44	2022
192.0			480.0		

The swap arrangements are designated as a cash flow hedge against future interest rate movements. The fair value of the swap arrangements as at 30 June 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.

Further disclosures relating to financial instruments are set out in note 25.

24. Derivative financial instruments – swaps (continued)

b) Foreign exchange swaps

The Group and Company enter 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 and Company had outstanding fixed rate US Dollar loan notes of \$267.2m (2010: \$187.2m).

The Group and Company have 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 25. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

\$m	Fixed rate payable %	2011 Maturity	\$m	Fixed rate payable %	2010 Maturity
18.2	8.98	2013	18.2	8.98	2013
1.0	10.95	2013	1.0	10.95	2013
1.4	10.78	2013	1.4	10.78	2013
103.7	6.61	2017	103.7	6.61	2017
7.5	10.55	2017	7.5	10.55	2017
12.8	9.75	2017	12.8	9.75	2017
80.0	8.14	2017	—	—	—
33.7	9.24	2018	33.7	9.24	2018
3.6	12.23	2018	3.6	12.23	2018
5.3	11.37	2018	5.3	11.37	2018
267.2			187.2		

The swap arrangements are designated as cash flow hedges against future foreign exchange rate movements. The hedges match the contractual initial receipt, the final settlement and 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. Further disclosures relating to financial instruments are set out in note 25.

25. Financial risk management

The principal operational risks of the business are detailed on pages 32 to 35. The Group's financial assets, financial liabilities and derivative financial instruments are detailed in notes 22, 23 and 24.

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.

25. Financial risk management (continued)**a) Liquidity risk (continued)**

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 these 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	Group 2010 £m	2011 £m	Company 2010 £m
In less than one year	228.5	–	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	770.0	700.0
In more than five years	100.0	–	100.0	–
	1,098.5	700.0	1,098.5	700.0

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

The expected undiscounted cash flows of the Group's financial liabilities, excluding derivative financial liabilities, by remaining contractual maturity at the balance sheet date were as follows:

Group	Notes	Carrying amount £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
2011							
Loans and borrowings (including bank overdrafts)	23	416.7	663.4	54.8	54.7	298.4	255.5
Trade and other payables	23	1,227.3	1,285.7	883.5	204.1	184.6	13.5
		1,644.0	1,949.1	938.3	258.8	483.0	269.0
2010							
Loans and borrowings (including bank overdrafts)	23	941.8	1,099.9	58.9	775.7	60.4	204.9
Trade and other payables	23	1,094.8	1,151.5	801.5	153.8	181.7	14.5
		2,036.6	2,251.4	860.4	929.5	242.1	219.4

25. Financial risk management (continued)

a) Liquidity risk (continued)

The expected undiscounted cash flows of the Company's financial liabilities, excluding derivative financial liabilities, by remaining contractual maturity at the balance sheet date were as follows:

Company	Notes	Carrying amount £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
2011							
Loans and borrowings (including bank overdrafts)	23	512.1	758.8	150.2	54.7	298.4	255.5
Trade and other payables	23	34.0	34.0	34.0	–	–	–
		546.1	792.8	184.2	54.7	298.4	255.5
2010							
Loans and borrowings (including bank overdrafts)	23	1,034.9	1,193.0	152.0	775.7	60.4	204.9
Trade and other payables	23	29.7	29.7	29.7	–	–	–
		1,064.6	1,222.7	181.7	775.7	60.4	204.9

Trade and other payables excludes deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

The expected undiscounted cash flows of the Group's and the Company's derivative financial instruments, by remaining contractual maturity, at the balance sheet date were as follows:

Group and Company	Notes	Carrying amount £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
2011							
Financial assets							
Gross settled derivatives							
Receive leg	22	25.0	224.6	11.6	18.2	33.2	161.6
Pay leg		–	(197.2)	(10.9)	(16.3)	(30.8)	(139.2)
Financial liabilities							
Gross settled derivatives							
Receive leg	23	(1.0)	12.1	0.7	1.4	2.1	7.9
Pay leg		–	(13.1)	(0.9)	(1.5)	(2.4)	(8.3)
Net settled derivatives	23	(36.0)	(38.9)	(9.0)	(8.2)	(15.6)	(6.1)
		(12.0)	(12.5)	(8.5)	(6.4)	(13.5)	15.9
2010							
Financial assets							
Gross settled derivatives							
Receive leg	22	32.7	160.8	7.1	7.1	32.5	114.1
Pay leg		–	(123.3)	(5.8)	(5.8)	(25.6)	(86.1)
Financial liabilities							
Gross settled derivatives							
Receive leg	23	(0.5)	14.6	0.8	0.8	3.0	10.0
Pay leg		–	(15.2)	(0.9)	(0.9)	(3.2)	(10.2)
Net settled derivatives	23	(71.9)	(88.4)	(22.3)	(19.9)	(29.1)	(17.1)
		(39.7)	(51.5)	(21.1)	(18.7)	(22.4)	10.7

Under the Group's International Swaps and Derivatives Association Master Agreement ('ISDA') agreements the interest rate swaps are settled on a net basis.

25. Financial risk management (continued)**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:

Group	Linked to UK housing market £m	Not linked to UK housing market £m	Total £m
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)
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). Further information is set out in note 15.

The Company has no financial assets and liabilities which are directly linked to the UK housing market.

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.

25. Financial risk management (continued)

b) Market risk (price risk) (continued)

ii) Interest rate risk (continued)

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 cyclical nature 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:

Group	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
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
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

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

Company	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
2011				
Financial liabilities (excluding derivatives)	281.8	230.3	34.0	546.1
Impact of interest rate swaps	(192.0)	192.0	–	–
Financial liability exposure to interest rate risk	89.8	422.3	34.0	546.1
2010				
Financial liabilities (excluding derivatives)	832.0	202.9	29.7	1,064.6
Impact of interest rate swaps	(480.0)	480.0	–	–
Financial liability exposure to interest rate risk	352.0	682.9	29.7	1,064.6

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).

25. Financial risk management (continued)

b) Market risk (price risk) (continued)

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 24.

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 ISDA 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.

As at 30 June 2011, the Company was exposed to £780.7m (2010: £898.5m) of credit risk in relation to intercompany loans, as well as financial guarantees, performance bonds and the bank borrowings of subsidiary undertakings. Further details are provided in notes 33 and 34.

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 23.

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 on pages 32 to 35.

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.

26. Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

Defined contribution schemes	2011 £m	2010 £m
Contributions during the year		
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:

Assumptions	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%.

26. Retirement benefit obligations (continued)

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

Assumptions	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 Group statement of comprehensive income	(22.0)	26.3

The amount included in the Group and Company balance sheets arising from obligations in respect of the 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 Group 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 Group 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 (note 16).

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

26. Retirement benefit obligations (continued)

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:

	Percentage of Scheme assets	2011 Expected return on Scheme assets	Percentage of Scheme assets	2010 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 Group 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 Group 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.

27. 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.

28. Share-based payments

Analysis of income statement charge/(credit):

	2011 £m	2010 £m
Equity-settled share-based payments:		
Long-Term Performance Plan	0.8	(3.0)
Savings-Related Share Option Scheme	1.5	1.8
Executive Share Option Scheme	(0.4)	0.8
Senior Management Share Option Plan	0.3	0.2
Cash-settled share-based payments	(0.8)	(0.4)
	1.4	(0.6)

As at 30 June 2011, an accrual of £1.8m (2010: £1.8m) was recognised in respect of social security liabilities on share-based payments.

28. Share-based payments (continued)

a) Details of the share-based payment schemes

i) Long-Term Performance Plan

The Long-Term Performance Plan (the 'LTPP') was approved by shareholders at the Annual General Meeting held in November 2003 to take effect from 1 July 2003. 6,841,830 (2010: nil) LTPP awards were granted in the financial year ended 30 June 2011. Awards under the LTPP are at the discretion of the Remuneration Committee (the 'Committee'), taking into account individual performance and overall performance of the Group. An employee is not eligible to receive options under the Executive Share Option Scheme and awards under the LTPP in the same financial year. Information on the performance conditions for the LTPP can be found on page 53.

ii) Savings-Related Share Option Scheme

In November 2008, the Company adopted the Savings-Related Share Option Scheme (the 'SRSOS'). Under the SRSOS, participants are required to make monthly contributions to an HM Treasury approved savings contract with a bank or building society for a period of three years. On entering into the savings contract participants were granted an option to acquire ordinary shares in the Company at an exercise price determined under the rules of the SRSOS. The exercise of options under the SRSOS is not subject to the satisfaction of a performance condition as the SRSOS is HM Revenue and Customs approved and open to all eligible employees. The first grant under the SRSOS was made on 3 February 2009 at an exercise price of 87.05 pence per share (which was subsequently adjusted to reflect the Rights Issue to 57.05 pence per share). The second grant under the SRSOS was made on 30 March 2010 at an exercise price of 116.18 pence per share. The third grant under the SRSOS was made on 29 March 2011 at an exercise price of 104.59 pence per share.

iii) Executive Share Option Scheme

In November 2008, the Company adopted the Executive Share Option Scheme (the 'ESOS'). The grant of share options under the ESOS is at the discretion of the Committee, taking into account individual performance and the overall performance of the Group. Options must be held for a minimum of three years from the date of grant before they can be exercised and lapse if not exercised within ten years from the date of grant. The exercise of options granted under the ESOS is subject to the achievement of an objective performance condition set by the Committee, which for options granted in 2008 was based upon Return On Capital Employed ('ROCE'). More information can be found on page 53.

iv) Senior Management Share Option Plan

In December 2009, the Company adopted the Senior Management Share Option Plan 2009-2012 (the 'SMSOP'). The Board approves the grant of share options to employees under the SMSOP which are normally exercisable between three and ten years from the date of grant, provided the employee remains employed by the Company. It is intended that the grant of options under the SMSOP will be a one-off event and those who participate in the SMSOP are not eligible to participate in the LTPP or ESOS, therefore Executive Directors are not eligible to participate in the SMSOP.

v) Executive Share Option Plan

In November 1997, the Company adopted the Executive Share Option Plan (the 'ESOP'). The grant of share options under the ESOP is at the discretion of the Committee, taking into account individual performance and the overall performance of the Group. Options must be held for a minimum of three years from the date of grant before they can be exercised and lapse if not exercised within ten years from the date of grant. The exercise of options granted under the ESOP is subject to the achievement of an objective performance condition set by the Committee. More information can be found on page 53.

vi) Employee Share Option Plan

In November 1999, the Company adopted an Employee Share Option Plan (the 'Employee Plan'). The Board approves the grant of share options to employees under this Employee Plan which are normally exercisable between three and ten years from the date of grant. The exercise of the options granted under the Employee Plan is subject to the achievement of an objective performance condition set by the Board, namely that the growth in the basic earnings per share of the Company over a period of three consecutive financial years should exceed the growth in the Retail Price Index by at least 9%. No options may be granted under the Employee Plan after 10 April 2010. Those who have participated in the ESOP do not participate in the Employee Plan.

vii) Senior Management Incentive Plan

In May 2009, the Company adopted the Senior Management Incentive Plan 2008-2011 (the 'SMIP'). The SMIP entitles participants to a cash bonus linked to the Company's share price, subject to the achievement of an objective performance condition set by the Committee.

viii) Co-Investment Plan

The Co-Investment Plan (the 'Plan') was approved by shareholders at the Annual General Meeting held in November 2005 and any annual bonus earned above target will normally be compulsorily deferred into shares held under this Plan. The Executive Directors also have the opportunity to voluntarily defer additional amounts of annual bonus up to a maximum of 25% of basic salary into the Plan. Matching awards will then be made by the Company, at the rate of one for one for compulsory deferral and at a maximum of four for one for voluntary deferral; matching awards will be subject to performance conditions measured over a period of three years. The relevant performance conditions are the same as those used for the LTPP as detailed on page 53.

28. Share-based payments (continued)

b) Outstanding equity-settled share-based payments

At 30 June 2011, the following options were outstanding:

Date of grant	Option price pence	2011 Number	Not exercisable after
Executive Share Option Plan			
1 November 2001	216	42,696	31 October 2011
22 October 2002	285	316,977	21 October 2012
10 October 2003	357	826,814	9 October 2013
Total Executive Share Option Plan options		1,186,487	
Executive Share Option Scheme			
18 December 2008 (approved*)	40	812,587	17 December 2018
18 December 2008 (unapproved*)	36	7,846,840	17 December 2018
25 September 2009	36	1,016,656	16 December 2018
10 December 2009 (approved*)	118	25,458	9 December 2019
10 December 2009 (unapproved*)	121	5,997,584	9 December 2019
Total Executive Share Option Scheme options		15,699,125	
Senior Management Share Option Plan			
10 December 2009 (approved*)	118	2,820,073	9 December 2019
10 December 2009 (unapproved*)	121	1,014,614	9 December 2019
Total Senior Management Share Option Plan options		3,834,687	
Employee Share Option Plan			
25 April 2002	308	45,728	24 April 2012
14 May 2004	387	451,337	13 May 2014
Total Employee Share Option Plan options		497,065	
Savings-Related Share Option Scheme			
3 February 2009	57	12,203,636	30 September 2012
30 March 2010	116	1,622,076	31 December 2013
29 March 2011	105	1,477,393	31 December 2014
Total Savings-Related Share Option Scheme options		15,303,105	
Total share options		36,520,469	
Long-Term Performance Plan			
14 October 2010	–	6,516,830	–
Total Long-Term Performance Plan awards		6,516,830	
Total		43,037,299	

* The Executive Share Option Scheme and the Senior Management Share Option Plan are divided into two sub-schemes, one of which is approved under the Income Tax (Earnings and Pensions) Act 2003 and the other which is not, and the exercise price is calculated differently for each sub-scheme in accordance with the rules of the sub-scheme.

The exercise prices and the number of shares under option were adjusted following the Rights Issue in November 2009.

28. Share-based payments (continued)

c) Outstanding cash-settled share-based payments

At 30 June 2011, the following awards issued in accordance with the rules of the Senior Management Incentive Plan were outstanding:

Date of grant	Award price pence	2011 Number	2010 Number
Senior Management Incentive Plan			
6 May 2009	57	7,850,718	8,009,282
Total Senior Management Incentive Plan		7,850,718	8,009,282

d) Number and weighted average exercise price of outstanding share-based payments

The number and weighted average exercise prices of options issued under the Executive Share Option Plan were as follows:

	Weighted average exercise price in pence	2011 Number of options	Weighted average exercise price in pence	2010 Number of options
Outstanding at 1 July	328	1,290,193	493	1,062,210
Adjustment for Rights Issue	–	–	–	477,715
Forfeited during the year	276	(103,706)	399	(249,732)
Outstanding at 30 June	333	1,186,487	328	1,290,193
Exercisable at 30 June	333	1,186,487	328	1,290,193

The number and weighted average exercise prices of options issued under the Employee Share Option Plan were as follows:

	Weighted average exercise price in pence	2011 Number of options	Weighted average exercise price in pence	2010 Number of options
Outstanding at 1 July	376	551,176	566	450,800
Adjustment for Rights Issue	–	–	–	236,598
Forfeited during the year	342	(54,111)	350	(136,222)
Outstanding at 30 June	380	497,065	376	551,176
Exercisable at 30 June	380	497,065	376	551,176

The number and weighted average exercise prices of awards made under the Long-Term Performance Plan were as follows:

	Weighted average exercise price in pence	2011 Number of award units	Weighted average exercise price in pence	2010 Number of award units
Outstanding at 1 July	–	3,613,185	–	3,342,996
Adjustment for Rights Issue	–	–	–	1,309,086
Forfeited during the year	–	(3,938,185)	–	(1,038,897)
Granted during the year	–	6,841,830	–	–
Outstanding at 30 June	–	6,516,830	–	3,613,185
Exercisable at 30 June	–	–	–	–

28. Share-based payments (continued)

d) Number and weighted average exercise price of outstanding share-based payments (continued)

The number and weighted average exercise prices of options granted under the Executive Share Option Scheme were as follows:

	Weighted average exercise price in pence	2011 Number of options	Weighted average exercise price in pence	2010 Number of options
Outstanding at 1 July	68	16,917,153	56	6,666,667
Adjustment for Rights Issue	—	—	—	3,849,885
Forfeited during the year	59	(1,218,028)	70	(1,005,413)
Granted during the year	—	—	115	7,406,014
Outstanding at 30 June	69	15,699,125	68	16,917,153
Exercisable at 30 June	—	—	—	—

The number and weighted average exercise prices of options granted under the Senior Management Share Option Plan were as follows:

	Weighted average exercise price in pence	2011 Number of options	Weighted average exercise price in pence	2010 Number of options
Outstanding at 1 July	119	4,065,683	—	—
Forfeited during the year	119	(230,996)	119	(94,355)
Granted during the year	—	—	119	4,160,038
Outstanding at 30 June	119	3,834,687	119	4,065,683
Exercisable at 30 June	—	—	—	—

The number and weighted average exercise prices of options granted under the Savings-Related Share Option Scheme were as follows:

	Weighted average exercise price in pence	2011 Number of options	Weighted average exercise price in pence	2010 Number of options
Outstanding at 1 July	65	15,350,256	87	9,690,675
Adjustment for Rights Issue	—	—	—	4,912,820
Forfeited during the year	78	(1,412,932)	65	(1,319,495)
Granted during the year	105	1,491,892	116	2,144,435
Exercised during the year	57	(126,111)	61	(78,179)
Outstanding at 30 June	68	15,303,105	65	15,350,256
Exercisable at 30 June	—	—	—	—

The number and weighted average award price of awards made under the Senior Management Incentive Plan were as follows:

	Weighted average exercise price in pence	2011 Number of award units	Weighted average exercise price in pence	2010 Number of award units
Outstanding at 1 July	57	8,009,282	87	5,633,725
Adjustment for Rights Issue	—	—	—	2,957,620
Forfeited during the year	57	(158,564)	57	(582,063)
Outstanding at 30 June	57	7,850,718	57	8,009,282
Exercisable at 30 June	—	—	—	—

28. Share-based payments (continued)

d) Number and weighted average exercise price of outstanding share-based payments (continued)

The number and weighted average award price of awards made under the Co-Investment Plan were as follows:

	Weighted average exercise price in pence	2011 Number of award units	Weighted average exercise price in pence	2010 Number of award units
Outstanding at 1 July	–	126,532	–	101,623
Adjustment for Rights Issue	–	–	–	48,296
Lapsed during the year	–	(55,791)	–	(17,317)
Exercised during the year	–	(70,741)	–	(6,070)
Outstanding at 30 June	–	–	–	126,532
Exercisable at 30 June	–	–	–	–

The weighted average share price, at the date of exercise, of share options exercised during the year was 89.4p (2010: 136.3p). The weighted average life for all schemes outstanding at the end of the year was 4.6 years (2010: 5.6 years).

e) Income statement charge

A charge to the income statement has been made for the awards issued on or after 7 November 2002 that had not vested at 1 January 2005 in accordance with IFRS2 'Share-based Payments'.

i) Executive Share Option Scheme

No awards were granted during 2011. The weighted average fair value of the options granted during 2010 was 35p per award. The awards have been valued using a Black-Scholes model.

The weighted average inputs to the Black-Scholes model were as follows:

	Grants 2010
Average share price	117p
Average exercise price	115p
Expected volatility	36.6%
Expected life	3.6 years
Risk free interest rate	1.76%
Expected dividends	0.43%

Expected volatility was determined by reference to the historical volatility of the Group's share price over a period consistent with the expected life of the options. The expected life used in the models has been adjusted, based on the Directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

ii) Savings-Related Share Option Scheme

The weighted average fair value of the options granted during 2011 was 29p (2010: 32p) per award. The awards have been valued using a Black-Scholes model.

The weighted average inputs to the Black-Scholes model were as follows:

	2011	Grants 2010
Average share price	113p	125p
Average exercise price	105p	116p
Expected volatility	30.7%	30.7%
Expected life	3.0 years	3.0 years
Risk free interest rate	1.33%	2.02%
Expected dividends	–	0.47%

Expected volatility was determined by reference to the historical volatility of the Group's share price over a period consistent with the expected life of the options. The expected life used in the models has been adjusted, based on the Directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

28. Share-based payments (continued)

e) Income statement charge (continued)

iii) Senior Management Share Option Plan

No awards were granted during 2011. The weighted average fair value of the options granted during 2010 was 24p per award. The awards have been valued using a Black-Scholes model.

The weighted average inputs to the Black-Scholes model were as follows:

	Grants 2010
Average share price	110p
Average exercise price	119p
Expected volatility	30.7%
Expected life	3.7 years
Risk free interest rate	1.69%
Expected dividends	0.47%

Expected volatility was determined by reference to the historical volatility of the Group's share price over a period consistent with the expected life of the options. The expected life used in the models has been adjusted, based on the Directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

iv) Long-Term Performance Plan

The weighted average fair value of the options granted during 2011 was 51.2p. No awards were granted during 2010.

The awards have been valued using a Black-Scholes model for the EPS element of the scheme and a Monte Carlo model for the TSR element of the scheme.

The weighted average inputs to the Black-Scholes and Monte Carlo models were as follows:

	Grants 2011
Average share price	88p
Average exercise price	–
Expected volatility	30.7%
Expected life	3.0 years
Risk free interest rate	1.08%
Expected dividends	–

29. Reserves

Hedging reserve

The hedging reserve represents the cumulative effective portion of deferred fair value gains or losses on derivative financial instruments that have been designated as cash flow hedges by the Company, where the hedged cash flows are still expected to occur.

Transfers to the hedging reserve in the period equate to losses of £23.6m (2010: £43.6m). This loss comprises losses of £15.4m (2010: £57.2m) relating to interest rate swaps and losses of £8.2m (2010: gain of £13.6m) on cross currency interest rate swaps.

Transfers from the hedging reserve to the income statement for the period are gains of £58.3m (2010: £64.2m).

In the current year, an amount of £29.8m, relating to deferred losses on interest rate swaps that previously hedged floating rate interest payments (on £288m of debt that was repaid and not refinanced) which are no longer expected to occur, was recognised in the income statement as an exceptional item. The remaining transfers arose from continuing cash flow hedges of interest rate risks and foreign exchange risks where the hedged risk impacted profit or loss in the period. Of these, £21.5m relates to hedged interest cash flows and £7.0m relates to gains on hedged foreign currency cash flows.

In the prior year, an amount of £50.1m, relating to deferred losses on interest rate swaps that previously hedged floating rate interest payments (on £285m of debt that was repaid and not refinanced) which were no longer expected to occur, was recognised in the income statement as an exceptional item. The remaining transfers arose from continuing cash flow hedges of interest rate risk and foreign exchange risk where the hedged risk impacted profit or loss in the period. Of these, £26.0m related to hedged interest cash flows and £11.9m related to losses on hedged foreign currency cash flows.

29. Reserves (continued)

Merger reserve

The merger reserve comprises the non-statutory premium arising on shares issued as consideration for acquisition of subsidiaries where merger relief under section 612 of the Companies Act 2006 applies.

Own shares

The own shares reserve represents the cost of shares in Barratt Developments PLC purchased in the market and held by the EBT on behalf of the Company in order to satisfy options and awards under the Company's incentive schemes.

Share-based payments reserve

The share-based payments reserve represents the obligation of the Group in relation to equity-settled share-based payment transactions.

Parent Company income statement

In accordance with the provisions of section 408 of the Companies Act 2006, a separate income statement for the Parent Company has not been presented. The Company's loss for the year was £73.1m (2010: £143.6m).

30. Cash flows from operating activities

		2011	Group 2010 (restated)*	2011	Company 2010
	Notes	£m	£m	£m	£m
Loss for the year from continuing operations		(13.8)	(118.4)	(73.1)	(143.6)
Tax		2.3	(44.5)	(25.4)	(46.3)
Finance income		(18.0)	(13.4)	(40.1)	(55.9)
Finance costs		156.9	249.1	130.6	214.7
Share of post-tax (profit)/loss from joint ventures		(0.1)	1.5	–	–
Profit/(loss) from operations		127.3	74.3	(8.0)	(31.1)
Amortisation of deferred loss on swaps	5	–	0.2	–	0.2
Depreciation	12	1.8	3.6	0.5	2.0
Impairment of inventories – exceptional	17	–	4.8	–	–
Impairment of inventories – non exceptional	17	5.4	7.4	–	–
Impairment of available for sale financial assets	15	16.3	6.1	–	–
Share-based payments charge/(credit)	28	1.4	(0.6)	(0.1)	0.1
Imputed interest on deferred term land payables	5	(27.6)	(26.5)	–	–
Imputed interest on available for sale financial assets	5, 15	13.6	7.0	–	–
Amortisation of facility fees	5	(6.2)	(9.4)	(6.2)	(9.4)
Imputed interest on Kickstart equity funding	5	(0.9)	(0.2)	–	–
Write-off of previous facility unamortised fees	5	(8.1)	(31.0)	(8.1)	(31.0)
Finance costs related to employee benefits	5, 26	(0.9)	(1.6)	(0.9)	(1.6)
Total non-cash items		(5.2)	(40.2)	(14.8)	(39.7)
Decrease in inventories		72.1	186.3	–	–
Decrease/(increase) in trade and other receivables		2.5	(23.9)	157.7	415.7
Increase/(decrease) in trade and other payables		23.2	198.2	(8.9)	(6.2)
Increase in available for sale financial assets		(46.7)	(55.9)	–	–
Total movements in working capital		51.1	304.7	148.8	409.5
Interest paid		(77.5)	(101.2)	(79.5)	(93.4)
Tax received		4.5	53.8	–	–
Net cash inflow from operating activities		100.2	291.4	46.5	245.3

* 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.

31. Operating lease obligations**a) The Group as lessee**

At 30 June 2011, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings £m	2011 Other £m	Land and buildings £m	Group 2010 Other £m
Within one year	10.9	4.5	13.0	3.3
More than one year and no later than five years	20.2	5.7	19.5	5.5
In five years or more	7.4	–	8.4	–
	38.5	10.2	40.9	8.8

Operating lease payments represent rentals payable by the Group for certain office properties and motor vehicles. Motor vehicle leases have an average term of 2.2 years (2010: 2.5 years) to expiry. Property leases have an average term of 2.1 years (2010: 2.0 years) to expiry.

At 30 June 2011, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings £m	2011 Other £m	Land and buildings £m	Company 2010 Other £m
Within one year	0.7	0.3	0.7	0.3
More than one year and no later than five years	2.0	0.4	2.1	0.5
In five years or more	0.4	–	0.8	–
	3.1	0.7	3.6	0.8

Operating lease payments represent rentals payable by the Company for certain office properties and motor vehicles. Motor vehicle leases have an average term of 2.2 years (2010: 2.5 years) to expiry. Property leases have an average term of 4.4 years (2010: 5.4 years) to expiry.

b) The Group as lessor

Property rental income earned during the year was £4.1m (2010: £3.3m).

The Group has lease agreements with third parties for certain commercial properties either in the process of development or which have been developed by the Group and units on land to be subsequently developed for residential use. It is intended that the commercial properties, with their future rental income, will be sold to third parties in the normal course of business and therefore they are classified as work in progress until the date of sale. At 30 June 2011, these properties had a carrying value of £18.4m (2010: £9.0m), and land with rental units had a carrying value of £17.6m (2010: £47.3m). At 30 June 2011, these rental agreements had an average term of 2.1 years (2010: 2.6 years) to expiry and total rental receivables over the remaining lease period are £7.4m (2010: £9.0m) with £2.8m (2010: £3.1m) within one year, £3.8m (2010: £4.6m) in more than one year and no later than five years and £0.8m (2010: £1.3m) in five years or more.

32. Acquisitions

The Group acquired the entire issued share capital of six entities on 17 January 2011, being:

VSM (Bentley Priory 1) Limited
VSM (Bentley Priory 2) Limited
VSM (Bentley Priory 3) Limited
VSM (Bentley Priory 4) Limited
VSM (Bentley Priory 5) Limited
VSM (Bentley Priory 6) Limited

The total cash consideration was £1.1m. These companies were solely acquired for the land that they hold. The book value of land acquired was £31.7m and the fair value, after accounting policy adjustments of £2.7m, was £32.0m which was offset by a creditor of £31.3m. Deferred tax of £0.4m has been recognised (note 16). No goodwill arose on these acquisitions. The acquisitions did not contribute to the revenue or profit of the Group for the year and would not have done had these companies been acquired on 1 July 2010.

33. 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 Report and Accounts, 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 Bedford Azure Lakes

On 28 February 2008, a resident was found dead and another seriously injured in housing association accommodation at the Bedford 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.

34. Related party transactions**a) Remuneration of key personnel**

Disclosures related to the remuneration of key personnel as defined in IAS24 'Related Party Disclosures' are given in note 8. There is no difference between transactions with key management personnel of the Company and the Group.

b) Transactions between the Company and its subsidiaries

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

The amount outstanding to the Company from subsidiary undertakings at 30 June 2011 totalled £780.7m (2010: £898.5m).

During the year ended 30 June 2011, the Company made management charges to subsidiaries of £31.8m (2010: £24.2m) and received net interest on Group loans from subsidiaries of £28.8m (2010: £55.5m).

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

c) 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 is disclosed in note 13. 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.

d) 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.

FIVE-YEAR RECORD, FINANCIAL CALENDAR, GROUP ADVISERS, COMPANY INFORMATION AND LIFE PRESIDENT

Five-year record

	2011	2010	2009	2008 (restated ¹)	2007 (restated ¹)
Group revenue (£m)	2,035.4	2,035.2	2,285.2	3,554.7	3,046.1
(Loss)/profit before tax (£m)	(11.5)	(162.9)	(678.9)	137.3	424.8
Share capital and equity (£m)	2,930.1	2,900.2	2,331.6	2,867.8	2,907.6
Per ordinary share:					
Basic (loss)/earnings per share (pence ²)	(1.4)	(14.5)	(89.1)	16.4	75.6
Dividend paid (pence)	–	–	–	36.53	32.07

¹ The results for the years ended 30 June 2008 and 2007 have been restated as disclosed in previous Annual Reports.

² Earnings per share for the years ended 30 June 2009, 2008 and 2007 has been adjusted to reflect the Rights Issue on 22 September 2009 as required by IAS33 'Earnings per Share'.

Financial calendar

The following dates have been announced or are indicative of future dates:

Announcement

2011 Annual General Meeting and Interim Management Statement	16 November 2011
2011/12 Interim/half year results	February 2012
Interim Management Statement	May 2012
2011/12 Annual Results Announcement	September 2012

Group advisers

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registered Auditor

Deloitte LLP
London

Solicitors

Slaughter and May

Brokers and Investment Bankers

Credit Suisse Securities (Europe) Limited
UBS Investment Bank

Company information

Registered in England and Wales. Company number 604574

Registered address: Barratt House, Cartwright Way, Forest Business Park, Bardonia Hill, Coalville, Leicestershire LE67 1UF.

Life President

Sir Lawrence Barratt founded the first Barratt company in 1958 and was knighted for his services to the industry in 1982. He retired as Non-Executive Chairman in November 1997 assuming the role of Life President.



BARRATT

DEVELOPMENTS PLC

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

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