



12 September 2012

Immediate release

**Barratt Developments PLC
Annual Results Announcement
for the year ended 30 June 2012**

**Pre-tax profits up 159% and net debt almost halved.
Well positioned for future growth in stable housing market.**

Barratt Developments PLC (the "Company") is today issuing its final results for the Company and its subsidiaries (the "Group") for the year ended 30 June 2012.

Mark Clare, Group Chief Executive, commented:

"The year has seen a rapidly improving performance across the Group which shows that our strategy is delivering, with profits up 159% and an almost halving of our net debt. In the current financial year we expect to make further good progress, with more than half of completions forecast to be delivered from our more recently acquired higher margin land."

Highlights

- Group revenues up by 14.1% for the full year to £2,323.4m, with completions¹ of 12,637 units (2011: 11,078)
- Average selling prices¹ increased to £180,500 (2011: £178,300) with private average selling prices¹ increasing by 1.5% to £201,800 (2011: £198,900)
- Group operating profit before exceptional items for the full year up by 41.6% to £191.1m (2011: £135.0m)²
- Operating margin³ increased to 9.5% in the second half and to 8.2% for the full year, up from 6.6% in the prior full year
- Full year profit before tax and exceptional items increased by 159.3% to £110.7m (2011: £42.7m)
- Net debt at 30 June 2012 almost halved to £167.7m
- Net tangible asset value per share £2.13 (2011: £2.11)⁴
- In the last nine weeks, average net private reservations per week per active site¹ are in line with same period last year at 0.50 (2011: 0.50)
- Private forward sales¹ up 15.3% to £609.6m as at 9 September 2012
- There will be no dividend for the year to 30 June 2012 but the Board expects to recommend to shareholders a final dividend in respect of the year to 30 June 2013

¹ Excluding joint ventures

² Profit from operations was £191.1m (2011: £135.0m) before operating exceptional items of £nil (2011: £7.7m)

³ Operating margin is profit from operations before operating exceptional costs divided by Group revenue

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

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

There will be an analyst and investor meeting at 8:30am today at UBS, Ground Floor Conference Centre, 1 Finsbury Avenue, London, EC2M 2PP. The presentation will be broadcast live on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, from 8:30am today. A playback facility will be available shortly after the presentation has finished.

The Annual Results Announcement and the presentation slides will be available on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, from 8:30am today.

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

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Barratt Developments PLC

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Chairman's statement

This has been a year of rapid progress and we have again delivered on our key objectives of increasing profitability and reducing overall indebtedness. Profit before tax and exceptional items increased by 159.3% to £110.7m and net debt reduced by nearly 50% to £167.7m. This has been achieved against a challenging backdrop of economic and consumer uncertainty, coupled with continuing restrictions on the availability of adequate mortgage finance, particularly with higher loan to value ('LTV') products.

The market

The UK housing market has remained broadly stable, although there were regional variations in demand and pricing. Whilst the country's housing needs continue to grow, the number of new homes being built will only see a sustainable increase with a step change in mortgage lending.

Some progress was made during the year in terms of the availability of finance for our customers, with higher LTV in the new build sector seeing a gradual improvement. The launch in July 2011 of the Government-backed FirstBuy shared equity scheme has helped to stimulate improved demand from first-time buyers. The launch, in March 2012, of the Government-backed NewBuy mortgage indemnity scheme should ensure that this progress continues by effectively increasing to 95% the LTV available to buyers of new homes.

Our performance

During the year we made significant financial and operational improvements across every aspect of our business. We have further increased our capability and our efficiency. We are financially stronger and the quality of our land bank has improved. The objectives of rebuilding profitability and reducing overall indebtedness, independent of further market improvement, are progressing well.

Ensuring that we achieve the best price for the homes that we build remains a priority and is dependent on getting the location, product mix, design, branding, quality, marketing of our homes and customer service absolutely right. We have continued to invest in all of these areas and our industry leadership in the way our sites are managed and the customer ratings we achieve have been externally acknowledged. For the third consecutive year the Group has been awarded Home Builder Federation ('HBF') 5-Star status. This is the highest achievable level in terms of customer satisfaction and recommendation. In addition, 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 eighth consecutive year.

Our new house types are even more in tune with customer preference and our sales teams are supported by an enhanced online sales and marketing capability. We remain committed to the principles of getting it right first time, enhancing the customer experience and reducing the cost of doing business.

Investing in land for higher returns

The primary driver of the Group's profit growth was the increased proportion of completions from newer, higher margin land. During the period 4,381 completions (35%) were on newer, higher margin land and in 2012/13 we expect this to increase to just over 50% of completions. The land we have bought since re-entering the land market in 2009 currently meets or exceeds the minimum hurdle rates set on acquisition – namely, a 20% gross margin and a 25% return on capital based on operating profit.

Dividend policy

No dividend will be paid in respect of the 2011/12 financial year. However, the Board recognises the importance of both capital growth and dividend income to our existing and potential shareholders, and is committed to re-introducing the payment of dividends. Assuming a continuing stable housing market, the Board expects to recommence dividend payments, with a conservative dividend cover, by proposing a final dividend in respect of the financial year to 30 June 2013, payable in the final quarter of 2013. The Board intends to adopt a progressive dividend policy as profitability grows, with the aim, over time, of achieving a target dividend cover of around three times.

In addition, we remain committed to operating with an appropriate land bank and continuing to reduce overall indebtedness.

The Board

In April 2012, Richard Akers joined us as a Non-Executive Director. He has broad business experience and a deep knowledge of the property market from a commercial and retail perspective, complementing the existing skills of the Board.

In July 2012, Clive Fenton resigned as a Director of the Company and we appointed Steven Boyes to a new role of Chief Operating Officer responsible for housebuilding operations. Steven, who joined the Board in 2001, is one of the most experienced housebuilding executives in the UK.

In July 2012, we also announced that Bob Davies, after eight years of service, will step down as a Non-Executive Director at the Annual General Meeting ('AGM') in November this year. Subject to their election and re-election at the AGM, Mark Rolfe will take over as Senior Independent Director and Richard Akers will take over as Chairman of the Remuneration Committee. I would like to thank Bob for the outstanding contribution that he has made to the Group during a period of immense change.

Our employees

The rapid progress we have made this year, in a market that remains challenging, is a great credit to the management of the Group and its employees. There is a wealth of experience within the leadership team, ably supported by our employees across the country. On behalf of the Board I would like to thank them for their commitment and outstanding contribution to the Group's performance.

The future

Inevitably there is ongoing economic uncertainty in the UK market and as such we do not expect to see significant growth in customer demand over the next year. However, the strategy we are pursuing is capable of delivering significantly enhanced returns without an improvement in market conditions.

We operate throughout Great Britain and across a broad spectrum of the market. We are able to deliver a wide range of housing projects from traditional housing to complex high-rise apartment buildings, such as those we build in London. We believe that this capability, coupled with our focus on improving the efficiency of everything we do and having the best people to deal with an increasingly complex regulatory and planning environment, offer us a significant competitive advantage.

Bob Lawson

Chairman

Group Chief Executive's review

With a rapidly improving performance across the Group we have made substantial progress in achieving our objectives of rebuilding profitability and reducing overall indebtedness.

In the year, we have achieved a 14.1% increase in revenues, a 1.6% increase in operating margins before operating exceptional costs, a 159.3% increase in pre-exceptional pre-tax profits and we have almost halved our net debt. Despite continued uncertainty surrounding the wider UK market and constrained levels of mortgage finance, we expect to make further good progress in 2012/13 with more than half of our completions forecast to be delivered from recently acquired higher margin land.

Performance

Group revenues for the year were up 14.1% to £2,323.4m (2011: £2,035.4m), with completions (excluding joint ventures) up 14.1% to 12,637 units. We have enjoyed more stable trading conditions throughout the year and were able to deliver a strong start to our second half following a small improvement in mortgage lending.

We have seen higher sales rates as an increasing proportion of completions are being delivered from our more recently acquired sites. As at 30 June 2012, we had a substantially strengthened forward sales position, with private forward sales (excluding joint ventures) up 35.5% to £366.9m (2011: £270.8m).

Profit from operations before operating exceptional items increased by 41.6% from £135.0m to £191.1m, with a significant improvement in operating margin before operating exceptional items to 8.2% (2011: 6.6%) for the full year and to 9.5% (2011: 7.9%) in the second half. Profit before tax and exceptional items increased by 159.3% to £110.7m (2011: £42.7m).

In the year we reported exceptional items of £10.7m, relating to the acquisition of a partner's 50% interest in a residential development, consequently profit before tax after exceptional items was £100.0m (2011: loss £11.5m).

Our improved operational efficiency, continued tight control over the timing of land expenditure and working capital commitments, and receipts from land sales enabled us to reduce net debt to £167.7m as at 30 June 2012 (2011: £322.6m).

Our objectives

Our strategic objectives remain clear – to rebuild profitability and reduce overall indebtedness – and we have made considerable progress in both of these areas during the year.

We have set out three priorities to enable us to rebuild profitability:

- optimise selling prices;
- improve operational efficiency; and
- deliver targeted land buying.

Optimise selling prices

We have embedded disciplines within the organisation to ensure we continue to focus on securing the best price for every sale - thereby maximising value rather than just driving volumes.

Average selling prices increased to £180,500 (2011: £178,300), with private average selling prices increasing by 1.5% to £201,800 (2011: £198,900), driven by a small positive change in mix. Overall, underlying prices have remained broadly stable, with continued variations by region. There is, in particular, a greater robustness in pricing in London and the South East.

During the year we had higher sales rates across the Group with average net private reservations per active site per week increasing to 0.52 (2011: 0.44). Sales rates have been more consistent during the year reflecting a greater stability in market conditions than we have seen for some time. We saw a particularly strong start to the 2012 spring selling season and took advantage of this to deliver additional completions from our older, lower margin land.

Our sales strategy is focused on offering our customers the highest quality products and service. For the third year running we have achieved the HBF's 5-Star status, meaning that more than 90% of our customers were satisfied with the service they received. Our site managers have won more NHBC 'Pride in the Job' awards than any other housebuilder for the eighth year running.

Both the Barratt and David Wilson house ranges have been redesigned and updated following customer research to be even more attractive to potential buyers. We now have the new house types on 125 of our developments.

We continue to focus on our predominantly web-based marketing strategy with our Barratt Homes and David Wilson Homes websites receiving on average around 160,000 visits per week. Our online presence has been substantially enhanced through the launch of our new look websites, which give consumers significantly more information about individual properties and the locality, as well as additional services such as mortgage calculators and school finders.

Improve operational efficiency

Driving operational efficiency has remained a significant focus for the Group. We continue to retain a firm control on costs, in particular capitalising on our scale and technical resources to maximise efficiency.

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 continuously to ensure the lowest cost is achieved whilst maintaining the quality of our homes.

Going forward, it is likely that some pressure will continue to be felt as raw material prices rise due to underlying commodity price increases. However, we will seek to mitigate this by continuing to drive further efficiency savings and reductions in operating costs across the business.

The Group promotes and shares best practice in the build process across all divisions and, to date, significant cost savings have been identified through this work. Cost savings have also been identified by agreeing changes to processes and introducing new technologies which improve our efficiency. The benefits of these savings will continue to be realised in the next few years.

Targeted land buying

Our aim is to optimise the value and cash generation from our existing land holdings, whilst bringing more recently acquired higher margin land into production as quickly as possible.

We have a disciplined and targeted land buying strategy that has clearly defined risk-related hurdle rates. During the year, we agreed terms on £578.1m of land purchases, totaling 12,085 plots. We have maintained our discipline of not chasing prices up and have continued to adopt an acquisition strategy that is not unduly concentrated on any specific geographic area. We have continued to see prices for land firming in the South East as other housebuilders target this area.

Total cash expenditure on land in the year was £397.4m (2011: £261.0m).

We favour deferred terms, with the objective of matching our revenue and costs as closely as possible to maximise returns. Land creditors as at 30 June 2012 were £726.1m (2011: £700.7m).

Land creditors due within the next 12 months total £368.1m (2011: £349.1m), with £358.0m (2011: £351.6m) due thereafter, and in overall terms these equate to 35% of our owned land bank. In the period to 30 June 2013, we expect land creditors to remain fairly constant as a proportion of the land bank, dependent upon the satisfaction of contractual conditions, for example, the grant of planning permission.

We are making good progress in moving our land bank from older to newer land, with impaired plots falling to 6,666 as at 30 June 2012 (2011: 10,292), representing 12% (2011: 17%) of the total owned and conditional land bank by plots. We expect impaired plots to reduce to around 4,500 by 30 June 2013. During the year we sold parcels of impaired land, where it made economic sense to do so, incurring an operating loss. We will continue to review potential land sales on a limited number of sites where we consider that a sale would realise a greater net present value than development of the site.

In the year, more than a third of completions were from more recently acquired land and we continue to expect this proportion to increase to just above 50% in 2012/13 and around two-thirds in 2013/14. This newer land continues to perform in line with, or above, the minimum hurdle rates set on acquisition, namely a 20% gross margin and a 25% return on capital based on operating profit.

We have detailed planning consents for 96% of expected completions for 2012/13, and outline consent on a further 2%.

We have targeted a shorter land bank to improve capital efficiency and, as at 30 June 2012, the Group's owned land bank totalled 43,897 plots (2011: 47,917) with an additional 10,312 plots (2011: 12,166 plots) under conditional contracts, giving a total of 54,209 plots (2011: 60,083 plots). This equates to approximately 4.3 years (2011: 4.8 years) of owned and controlled land based on 2011/12 completion volumes. Over the next couple of years, we expect to maintain our owned and unconditional land bank, when seen relative to prior year completion volumes, at around three-and-a-half years' supply, and the conditional land bank at around one year's supply. The land bank owned by Group joint ventures is 1,120 plots (2011: 1,625 plots).

In addition, we have c. 10,500 (2011: c. 11,400) acres of strategic land which are regularly reassessed until the necessary planning consents are obtained. This land is carried at the lower of cost and net realisable value, minimising our exposure to risk. In the year 701 plots were transferred from strategic land to our operational land bank. Strategic land is expected to produce an increasing proportion of our operational land in future years.

Reducing overall indebtedness

Our second key objective is reducing overall indebtedness.

At 30 June 2012 net debt had fallen to £167.7m, down from £322.6m at the same point in the previous year. The better than expected performance on reducing net debt was the result of a number of factors, including strong control of working capital, higher completion numbers, timing of land acquisitions, a lower investment per site and realising cash from other assets.

We were able to take advantage of stronger market conditions during the second half of the year to increase sales on impaired sites which generated additional cash. We also sold three sites acquired before 2008, which had subsequently been impaired, for total cash proceeds of £15.2m and a net operating loss charged to normal trading of £4.6m. We will continue to target additional sales to generate cash from impaired sites where we consider such a sale will realise a greater net present value than the development of it.

One of the key factors driving down debt has been the focus on smaller sites of, on average, 110 plots predominantly for houses rather than flats. The new sites have greater potential for standardised product and lower infrastructure expenditure, which result in a significantly lower average investment per site.

Sizing our business and target funding structure

We have reviewed the size and structure of our business taking account of current market conditions, including mortgage availability. We are confident that our current operational structure is 'fit for purpose' and that it is realistic, over time, to move to around 450 active sites (2012: average of 387 sites), which would result in around 15,000 completions including those from our joint ventures ('JVs') (2012: 12,857).

In light of these plans for the business and our ongoing focus to reduce overall indebtedness, it is our intention that by 2015 we will achieve a target funding structure with no net debt at the financial year end date. Accordingly, our shareholders and land vendors (in the form of land creditors) will fund our land bank and long-term work in progress whereas our lending syndicate will fund our annual working capital requirements.

Government policy

The Government sees the acceleration of housebuilding as an important economic objective. The Government's housing strategy, published in autumn 2011, contained a number of initiatives, including proposals to improve the availability of mortgage finance via a mortgage indemnity scheme, to reform the planning regime and to release further public sector land.

The NewBuy mortgage indemnity scheme was subsequently introduced in March 2012 and has the potential to significantly improve the loan to value offered in the new build sector. However, whilst initial customer interest has been promising, we will not be able to assess the scheme's full potential until the autumn selling season. The mortgage interest rates associated with the product will also be an important factor in determining its impact.

During the year, FirstBuy, the Government-backed shared equity scheme, was an important tool and we completed 1,573 sales under the scheme. Our success in utilising the product meant that our initial allocation of £24.9m was increased by £13.8m during the year.

Shared equity remained an important selling tool given the continuing constraints on mortgage finance availability. During the year, 20.5% (2011: 22.0%) of total completions were supported by shared equity and, of this, around two-thirds used Government-backed schemes.

Although planning reform was introduced via the National Planning Policy Framework, it is unlikely that this will have a material short-term effect on the Group. We continue to move to a more 'localist' approach in the way in which we seek to secure planning, with new procedures for earlier and fuller consultation with local residents. In the year, our scheme at Pickering Park in Yorkshire was the winner of the National Housebuilder Best Community Initiative Award.

The release of public land remains an important part of the Government's strategy to increase housing supply. This land is particularly attractive where it is brought to the market with the potential for 'build now pay later' terms. Since 2009 we have secured more than 9,000 plots across 33 sites with a gross development value ('GDV') of £1.7 billion either using the Developer Panel approach or via the OJEU.

In September 2012 the Government announced further measures to stimulate housebuilding, including additional FirstBuy funding, initiatives targeting the private rental market, reforms to planning and a reduction in the public funding requirement on mothballed developments.

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 from the peak seen in 2007, however we have seen a stabilisation of mortgage lending over the past couple of years.

The mortgage market for new build housing continues to be dominated by a limited number of lenders. There have been some changes in their respective market shares during the year, primarily driven by the return of building societies and the changes in lending criteria from certain mortgage providers. Some lenders still provide a lower LTV on new build houses when compared with second-hand properties - there was typically a LTV of 90% on second-hand houses and 85% on new build houses. However, the majority of mortgage providers are now moving to a position of equality between the second-hand and new build markets. For example, Lloyds/Halifax increased their LTV to 90% on certain new build houses in early 2012 and such moves should continue to have a positive impact on mortgage availability for our customers.

The Government continues to stimulate the lending market and has launched the indemnity scheme NewBuy, which has underpinned the return of 95% mortgages in the new build sector. This is likely to be an important support for the mortgage market at higher levels of LTV, and provides the sector with an important advantage against the much larger, second-hand market.

Partnership and joint venture opportunities

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

Barratt Partnerships, our specialist partnership team, working with our divisions, secured 1,676 units on five sites during the year through public sector partnerships with a GDV of c. £425m.

We have continued to bid for sites through the three area-based Development Partner Panels ('DPPs') that were established in 2010 by the Homes and Communities Agency. In the year we have been successful on three bids, and we are actively involved in six ongoing bids.

We believe the Government's intention to increase the release of public land to build up to 100,000 new homes is a positive step. We have a proven track record of working with public sector partners and we are well positioned to capitalise on this initiative.

We continue to explore JV opportunities which allow us either to access projects that may not otherwise be available, or to reduce the investment required and improve the return on capital employed through construction management or marketing fees.

In prior years, we established a portfolio of JVs in London and the South East. Our JV partners include London & Quadrant ('L&Q'), one of the country's largest Housing Associations and the Wates Group, one of the UK's largest building and construction companies.

We have added to this portfolio with two more JVs:

- In March 2012, we signed a conditional contract to purchase a two-acre edge of the City site at Aldgate Place, London. The purchase of the site, which is being acquired in a 50:50 JV between the Group and British Land, is conditional on securing a revised planning consent for a residential-led mixed-use development.
- In July 2012, in partnership with L&Q, we acquired an 8.5 acre site at Fulham Wharf, London. The site, which is on the north bank of the Thames, has a GDV of £420m with planning permission for 463 riverside apartments and a new supermarket.

In the year, our JVs delivered 220 (2011: 93) completions and we anticipate that completions will increase further as our new JVs commence.

Commercial developments

Commercial development revenue was £36.6m (2011: £49.2m). This included revenue from the design and build of a foodstore in Warrington. The project was completed in April 2012. Operating profit from the commercial development business during the year was £1.5m (2011: £0.8m).

We were also successful during the year in completing an agreement for the redevelopment of part of Wokingham town centre. The redevelopment will be delivered in partnership with our housebuilding operations and is one of a number of schemes where our commercial and housebuild businesses are working together to deliver enhanced returns for the Group.

Quality, service and design

In 2010 and 2011 we updated both the Barratt and David Wilson Homes house ranges with internal layouts designed around modern living. The new designs continue to be well received by consumers and we continue to roll out both new ranges. Our commitment to delivering the highest quality product and excellent customer service has been confirmed by our customers both through our internal survey where 98% (2011: 98%) of customers would 'Recommend us to a Friend' and our achievement of HBF 5-Star status for a third successive year. Our high quality housing products have assisted our ongoing drive to improve profitability, through achieving optimum selling prices and improving operational efficiency.

Health, safety and the environment

The safety of our employees, contractors, customers and the wider community is fundamental to the way in which we operate. During the period, our Injury Incidence Rate ('IIR') was 511 (2011: 539) per 100,000 persons employed, which is a 5% decrease year-on-year. We remain committed to enhancing 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 3,820 homes to Code Level 3 or above, of which 868 complied with Code Level 4. We are establishing improved and lower cost methods which allow us to continue to reduce the cost of compliance.

We are also progressing our development at Hanham Hall, the UK's first large-scale zero carbon housing development. We have completed the external renovation of the original listed Hanham Hall building and we are now well advanced with the full development of the site.

Outlook

The Group has made significant progress in both rebuilding profitability and reducing indebtedness during the year just ended. Despite continued uncertainty surrounding the outlook for the wider UK market and constrained levels of mortgage finance, the industry has enjoyed a period of relative stability.

Since 1 July 2012, our sales performance has been in line with normal seasonal trends. In the last nine weeks, net private reservations per active site per week have averaged 0.50 (2011: 0.50) and our private forward order book (excluding JVs) currently stands at £609.6m (2011: £528.7m).

Our strategy is capable of delivering significantly enhanced returns without any improvement in market conditions, and in the current financial year we expect to make further good progress, with over half of completions forecast to be delivered from our more recently acquired higher margin land.

Mark Clare

Group Chief Executive

Finance review

Performance metrics were as follows:

- Revenue was £2,323.4m (2011: £2,035.4m).
- Completions, excluding joint ventures, increased by 14.1% to 12,637 (2011: 11,078).
- Profit from operations before operating exceptional items increased by 41.6% to £191.1m (2011: £135.0m).
- Profit from operations was £191.1m (2011: £127.3m).
- Operating margin before operating exceptional items was 8.2% (2011: 6.6%).
- Profit before tax was £100.0m (2011: loss of £11.5m).
- Adjusted basic earnings per share before exceptional items was 8.1p (2011: 2.7p).
- Basic earnings per share was 7.0p (2011: loss of 1.4p).

Segmental analysis

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

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

	Housebuilding £m	Commercial development £m	Total £m
Revenue	2,286.8	36.6	2,323.4
Profit from operations	189.6	1.5	191.1

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 £10.7m (2011: £54.2m). This comprised operating exceptional items of £nil (2011: £7.7m), exceptional costs arising from the acquisition of our partner's share in a former joint venture of £10.7m (2011: £nil) and exceptional finance costs of £nil (2011: £46.5m).

Operating exceptional items

i) Restructuring costs

In the prior year, the Group adjusted its operations to suit the prevailing trading conditions, resulting in £7.7m 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 the 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 2012, although there were gross impairment reversals and charges of £31.5m (2011: £65.0m) 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 £6.6m (2011: £5.4m) included within profit from operations.

During the year ended 30 June 2012, 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 2013.

Financing exceptional item

In 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 year.

The taxation benefit of the operating and financing exceptional items was £nil (2011: £14.9m).

Joint venture exceptional item

In 2006, we entered into a joint venture agreement to develop several sites in Greater Manchester, including a 720 unit scheme in Hattersley. In March 2012, our partner went into liquidation and was unable to settle its liabilities with the joint venture. On 9 May 2012 we took the decision to acquire their stake for a nominal amount and, accordingly, we have consolidated the entity within the Group during the year, recognising an exceptional non-cash charge of £10.7m (2011: £nil).

Finance cost

The net finance charge before exceptional costs for the year was £80.8m (2011: £92.4m). This included a non-cash finance charge of £23.2m (2011: £22.0m). After financing exceptional costs of £nil (2011: £46.5m), the net finance charge for the year was £80.8m (2011: £138.9m).

For the financial year ending 30 June 2013 we currently expect that, with our reducing levels of net debt, the blended rate of interest will be around 8.5% and our cash and non-cash interest will be c. £55.0m and c. £20.0m respectively.

Tax

The Group's tax charge for the year was £32.6m (2011: £2.3m). This differed from the effective rate for the year of 25.5% mainly due to the impact of the reduction in the statutory corporation tax rate from 26% to 24% 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 £3.9m (2011: £4.5m).

For the financial year ending 30 June 2013 we expect the total taxation charge to be around the effective rate of corporation tax of 23.75%. 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 23%.

Dividend

No dividend will be paid in respect of the 2011/12 financial year. However, the Board recognises the importance of both capital growth and dividend income to our existing and potential shareholders, and is committed to re-introducing the payment of dividends. Assuming a continuing stable housing market, the Board expects to recommence dividend payments, with a conservative dividend cover, by proposing a final dividend in respect of the financial year to 30 June 2013, payable in the final quarter of 2013. The Board intends to adopt a progressive dividend policy as profitability grows, with the aim over time of achieving a target dividend cover of around three times.

In addition, we remain committed to operating with an appropriate land bank and continuing to reduce overall indebtedness.

Expense/income recognised in equity

During the year an expense of £33.9m (2011: income of £41.5m) has been recognised in equity predominantly relating to actuarial losses on the defined benefit pension scheme and movements on interest rate swaps.

Balance sheet

The net assets of the Group increased by £43.7m to £2,973.8m primarily reflecting the profit after tax for the year of £67.4m, offset by actuarial losses on the defined benefit pension scheme and amounts deferred in respect of effective cashflow hedges.

Net tangible asset value increased by 2.1% to £2,081.6m (2011: £2,037.9m) and net tangible asset value per share at 30 June 2012 was £2.13 (2011: £2.11 per share).

Significant movements in the balance sheet included:

- The Group's book value of land was £2,077.3m (2011: £2,189.7m), a decrease of £112.4m. This decrease included land additions of £475m offset by land usage and disposals.

- Group work in progress at 30 June 2012 was £1,065.5m (2011: £1,023.2m). The increase of £42.3m reflects the increase in the number of plots under construction at the year end, including the commencement of four towers in our London business. Stock and work in progress has been closely controlled throughout the year. Unreserved stock units as at 30 June 2012 were 2.6 units (2011: 2.2 units) per active site.
- Group net debt decreased by £154.9m over the year to £167.7m (2011: £322.6m).
- Goodwill and intangible assets remained at £892.2m as the annual impairment review of the entire housebuilding business and brand indicated that no impairment was required at the year end.
- The Group had a corporation tax asset of £0.4m (2011: £3.2m) and a deferred tax asset of £118.6m (2011: £143.2m). During the year the Group received £3.9m (2011: £4.5m) of tax repayments. The Group's deferred tax asset decreased by £24.6m mainly due to the reduction in the statutory corporation tax rate to 24% and the utilisation of tax losses offset by the decrease in the defined benefit pension liability and movements upon derivative financial instruments. The changes to corporation tax rates announced in the 2012 Budget will further reduce the future value of the Group's deferred tax asset, however as the changes were not substantively enacted at 30 June 2012 they are not reflected in the Group's deferred tax asset. The reduction in corporation tax rate from 24% to 23%, which has been enacted since the balance sheet date, would further reduce the Group's deferred tax asset by £4.9m if all of the deferred tax was to reverse after July 2013.
- The pension fund deficit on the Barratt Developments defined benefit pension scheme increased by £9.6m in the year to £21.4m mainly due to actuarial losses recognised in the year, offset by employer contributions.
- Trade and other payables were £1,361.3m (2011: £1,379.7m) including an increase of £25.4m in land payables from £700.7m to £726.1m reflecting more land acquisitions on deferred payment terms during the year.

Net debt

Group net debt at the year end was £167.7m (2011: £322.6m). As we increase site numbers, make scheduled payments on new land approvals and build work in progress, particularly in London, to deliver completions for spring 2013 we expect net debt at 31 December 2012 to be around £475m (2011: £542.2m). In line with normal seasonal trends, we would expect net debt at 30 June 2013 to reduce again and be at similar levels to 30 June 2012.

Treasury

The Group has around £1 billion of committed facilities and private placement notes, with some of the Group's arrangements extending as far as 2021. The covenant package is appropriate and the facilities provide appropriate headroom above our current forecast debt requirements.

On 26 April 2012 our new committed revolving credit facilities ('RCFs') for £780m became available under credit agreements dated 10 May 2011. At the same time the previous committed RCFs of £1,190.5m were terminated.

In September 2012, we voluntarily cancelled the £90m RCF which was scheduled to expire in October 2013. We have reviewed our future requirements and decided that we will no longer require this facility. This reduces our total RCF to £690m, which terminates in May 2015.

We maintain a regular dialogue with our lending group, holding at least four meetings per annum, where we provide the group with an update on the housing market, our current trading performance and expected performance for the financial year.

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 by reference to 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 July 2012 we entered into a seed investment agreement with Hearthstone Investments, the specialist residential property fund manager, of up to £22.5m spread over three tranches and linked to the growth of the fund. The first tranche was for an amount of £5.4m. The arrangements will see the Group contributing a portfolio of showhomes, which will then be licensed back. This assists us in unlocking working capital that would otherwise remain on our balance sheet until we no longer needed the showhome and it could then be sold.

In conclusion

During the year, the Group has made significant progress in both rebuilding profitability and reducing net debt.

Looking forward, as we continue to increase the number of higher margin outlets, focus on obtaining the best possible price for our product, and continue our success in controlling costs, the Group is well placed to make further strong progress in 2013.

David Thomas

Group Finance Director

Business review

Our performance

This has been a year of significant improvement for the Group, both in terms of increasing profitability and reducing net debt, despite the continued constraints on the availability of mortgage finance for our customers. Whilst there were variations by region, underlying house prices remained broadly stable over the year, and our improved performance was founded on our ability to bring new, higher margin land into production. Our businesses in London and the South East continue to perform especially well.

We delivered a profit from operations before operating exceptional items of £191.1m (2011: £135.0m) at a margin of 8.2% (2011: 6.6%). After operating exceptional items of £nil (2011: £7.7m), our profit from operations was £191.1m (2011: £127.3m).

The increase in operating margin before operating exceptional items is principally due to an increasing proportion of sales from more recently acquired higher margin land. This, coupled with other items, resulted in a gross margin of 12.7%, a 1.5% increase on the prior year. Administrative costs before exceptional restructuring costs increased year-on-year from £92.8m to £105.1m. Overall, we achieved a 41.6% improvement in operating profit before operating exceptional items in the year.

Housebuilding

During the year, we operated from an average of 387 (2011: 364) active sites.

Completions totalled 12,637 (2011: 11,078), an increase of 14.1% reflecting the higher reservation rate during the year, especially in the second half. Housebuilding revenue totalled £2,286.8m (2011: £1,986.2m). Of the housebuilding completions, private were 9,832 (2011: 8,444), and social were 2,805 (2011: 2,634). Social housing completions represented 22.2% of completions in the year, versus 23.8% in the prior year. In addition, our JVs completed 220 (2011: 93) homes.

Average net private reservations per active site per week in the second half were 0.57 (H2 2011: 0.48), a significant improvement on the first half performance (H1 2012: 0.48). For the full year, average net private reservations per active site per week were 0.52 (2011: 0.44). The cancellation rate for the full year was 18.5% (2011: 20.6%).

Our average selling price increased by 1.2% to £180,500 (2011: £178,300), mainly as a result of a small positive change 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 1.5% to £201,800 (2011: £198,900) primarily due to a number of mix changes, including an increased proportion of houses compared to flats. 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 1.5% increase in the average revenue per square foot to £203 (2011: £200).

Our social average selling price decreased by 5.9% to £105,700 (2011: £112,300) due to changes in mix and a decrease in the average square footage of our social completions of 2.1% to 793 square foot (2011: 810 square foot).

Whilst the availability of mortgage finance at higher LTV ratios remains constrained, shared equity products continue to be an important sales tool for the Group. During the year 20.5% (2011: 22.0%) of our completions used shared equity products. Of these completions, 1,694 (2011: 609) used one of the Government-backed initiatives and the remainder used our own shared equity schemes.

During the year FirstBuy, the Government-backed shared equity scheme, was an important sales incentive. We completed 1,573 sales under the scheme. Our success in utilising the product meant that our initial allocation of £24.9m was increased by £13.8m during the year.

Part-exchange has remained an effective selling tool, supporting 15.1% (2011: 14.6%) of our completions in the year. We continue to manage carefully our commitment and exposure to part-exchange properties which stood at £80.2m (2011: £78.9m) at 30 June 2012.

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. 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 seeking to optimise 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 8.3% (2011: 6.8%) for the full year and 9.6% (2011: 8.0%) for the second half of the financial year. Our housebuilding profit from operations before operating exceptional items for the year was £189.6m (2011: £134.2m). After operating exceptional items of £nil (2011: £7.7m), the housebuilding profit from operations was £189.6m (2011: £126.5m).

Commercial developments

Conditions in the commercial property market outside London remain challenging, with a high number of available second-hand properties impacting design and build activity. Weak economic growth and a constrained lending environment also continue to place further restrictions on commercial demand. However, despite these factors, the operating performance from our commercial development segment improved.

Revenue from the commercial developments business totalled £36.6m (2011: £49.2m) with a profit from operations of £1.5m (2011: £0.8m).

During the year, in addition to delivering 49,900 square feet of stock property disposals, we completed construction of a 40,000 square foot foodstore in Warrington for a major food retailer and the sale of a 41 acre site at Kingsway Business Park in Rochdale. We exchanged contracts to provide a 30,000 square foot office extension at a site in Nottingham, which completed in August 2012, and we have also recently secured an outline consent for an 80 acre mixed-use scheme on the outskirts of Leicester, which we expect to deliver returns for both our commercial and housebuild operations.

On the retail front, we continue to progress our town centre redevelopment schemes, and during the year, in addition to the Wokingham Town Centre scheme, we were also appointed development partner on the Northern Gateway scheme in Chesterfield. This project will see the redevelopment of part of Chesterfield city centre, providing 267,000 square feet of commercial space.

Creating new communities

We operate throughout Great 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 2012, we were selling from 374 (2011: 377) 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 around £60,000 to £1.0m, with a private average selling price for the year of £201,800 (2011: £198,900).

During the year, we completed 1,694 (2011: 609) homes under both the HomeBuy Direct and the FirstBuy schemes, and in addition we also supported 894 (2011: 1,823) purchasers with our own shared equity packages.

The provision of social housing remains a key component of our activities with 2,805 (2011: 2,634) homes completed during the financial year ended 30 June 2012 at an average selling price of £105,700 (2011: £112,300).

Land and planning

Land approvals since mid-2009

	Year ended 30 June 2012	Mid-2009 to 30 June 2011
Total approved	£578.1m	£981.3m
Total number of plots	12,085	22,220
Location		
– South : North (by value)	58% : 42%	58% : 42%
– South : North (by plots)	46% : 54%	47% : 53%
Vendor		
– Government : Private (by plots)	28% : 72%	24% : 76%
Type		
– Houses : Flats (by plots)	86% : 14%	81% : 19%

Our land bank

Our land bank consists of both owned and controlled plots. At 30 June 2012, we had 54,209 (2011: 60,083) owned and controlled plots consisting of 43,897 (2011: 47,917) owned and unconditional plots and 10,312 (2011: 12,166) plots under conditional contracts. Based on 2011/12 completion volumes, the owned and controlled land bank provides a 4.3 year (2011: 4.8 year) supply. In addition, we have c. 10,500 (2011: c. 11,400) acres of strategic land, which are regularly reassessed until the necessary planning consents are obtained. Our strategic portfolio is carried at the lower of cost and net realisable value, minimising our exposure to risk from these land holdings. Strategic land is expected to produce an increasing proportion of our operational land in future years.

At 30 June 2012, our land bank had a carrying value of £2,077.3m (2011: £2,189.7m) with an average housebuilding cost per plot of £45,000 (2011: £43,600). The average selling price of the plots within our land bank is currently expected to be c. £185,000 giving an average plot cost to average selling price ratio of 24% (2011: 24%).

Our land bank carrying value has been reviewed for impairment at 30 June 2012 and no additional net exceptional impairment charge was required. The impairment review includes a net inflation allowance for low single-digit house price and build cost inflation. During the year ended 30 June 2012, we have experienced regional variations in house price movements. Should the actual house price movements for the 2012/13 financial year differ from that expected in the impairment review, then there may be a requirement for further impairments or reversals in impairments in the carrying value of our land bank.

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 permissions 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 £578.1m of land purchases, the majority of which we will acquire on the basis of deferred payment. This equates to 12,085 plots of which 86% are for houses. The forecast average selling price on this land is c. £211,000 based on current prices. During the financial year, land additions were £475m (2011: £395m) and £397.4m (2011: £261.0m) was spent on land resulting in land creditors at 30 June 2012 of £726.1m (2011: £700.7m) of which £368.1m (2011: £349.1m) fall due within one year. We expect our cash expenditure for land to increase during our 2013 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 re-planning 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 68% (2011: 66%). Outside London, houses were 75% (2011: 74%) of completions. At 30 June 2012, detailed planning consents were in place on 96% (2011: 96%) of land required to meet our forecast activity for the 2013 financial year. In addition, we had outline planning consents on a further 2% (2011: 3%) of our forecast completion volumes.

Sustainability

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 a challenging economic backdrop, it is vital that we continue to develop their expertise. Accordingly, we have maintained our investment in vocational and leadership training programmes, as well as in schemes promoting employee development, engagement and recognition.

The Barratt Academy continues to provide structured, bespoke training to support individual development across three separate disciplines; apprentices, site managers and technical/commercial roles. Combining professional training (on-site and in the classroom) with industry-recognised qualifications, our courses aim to deliver us craft and trade specialists, highly competent site managers and employees with in-depth technical and commercial expertise.

The apprenticeship scheme comprises both trade and technical apprenticeships. Apprenticeships last for two years and since 2007 over 330 apprentices have completed their training with the Group. We are delighted that one of our apprentices, who has now been put forward for the Group's 2013 Assistant Site Manager programme, was awarded first place in this year's external Skill Build for the Northern 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 also encouraged to undertake voluntary projects in their local community as part of their project management module. We are delighted that one of our technical graduates won the Rising Star award at this year's National Graduate Recruitment Awards.

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 develop the skills required to progress from middle management through to senior management and other high performance leadership roles.

We remain focused on employee engagement and during the year our fifth annual engagement survey was undertaken. These bespoke voluntary surveys allow us to develop engagement plans throughout the business aimed at further improving the Group's relationship with its direct employees. We continue to recognise outstanding individual and team performance across the Group through quarterly and annual divisional awards and annual national awards. In addition, we operate an instant recognition scheme, which during 2011/12 has awarded 1,100 prizes.

The expertise of our construction teams has again been recognised externally, with 76 (2011: 80) of our Site Managers winning 'Pride in the Job' quality awards from the NHBC. This is more than any other housebuilder for an unprecedented eighth consecutive year.

Our target is to have a fully certified Construction Skills Certification Scheme ('CSCS') operational workforce, including subcontractors. At 31 March 2012, 98% (2011: 97%) of the Group's workforce, including subcontractors, was fully CSCS certified.

Partners

We recognise that, whether acting as sole developer, joint venture partner, client or contractor, partnerships are vital to our success. We operate in many areas of the market, from complex regeneration to advanced environmental housing projects. In doing so, we create a legacy that goes well beyond the homes and commercial properties we build.

We continue to 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 our suppliers to help them introduce the new technologies that we need to meet increasingly challenging building standards, and with our subcontractors to help them improve their environmental and safety performance.

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 we respond to community aspirations by creating new jobs, training young people and supporting local initiatives. By holding public exhibitions, we invite stakeholders to talk to our specialist planners and architects about their concerns and aspirations for our developments. We believe that a genuinely collaborative approach will deliver more land and housing with the backing of local communities.

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 are currently active on a number of public and private sector partnership sites. Park Prewett in Basingstoke and Cane Hill in Coulsdon are two schemes where we are working closely with the Homes and Communities Agency. At Scotswood in Newcastle-upon-Tyne, we are partnering with Newcastle City Council on a 15-year mixed-use project, and in Castlewell in Aberdeenshire we are working closely with both the local community and the Prince's Foundation to develop a master plan incorporating 247 homes.

Joint venture and partnership opportunities

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

Work on site at our major partnership developments with London & Quadrant ('L&Q') continue to progress well. The 27-storey residential tower at Alie Street on the edge of the City of London was 40% sold at 30 June 2012 and work has commenced on the Ashburton Grove regeneration project adjacent to the Emirates Stadium in North London, which will create 375 new homes. In July 2012, we announced our third major partnership development with L&Q at Fulham Wharf. This scheme, on the north bank of the River Thames, comprises 463 apartments, a new foodstore and a range of food and leisure outlets.

Planet

We are committed to our sustainability policy and we continue to work hard to improve the design of both our homes and our developments to deliver high quality sustainable places to live, and also to create accessible developments that integrate with existing communities.

Through our strict design requirements, we have ensured that our developments meet a benchmark standard, creating exemplary schemes which include open spaces and communal areas. During 2011/12, 145 acres of open space were created within our developments, and we are delighted that our scheme at Pickering Community Park was the winner of the Best Community Initiative at this year's National Housebuilder Awards. This scheme incorporated community event areas, allotments and conservation and picnic areas.

We acknowledge that the nature of our business impacts on the local environment and we continue to strive to reduce this impact, both during and post-construction, by undertaking significant brownfield development, by delivering high quality regeneration projects and by monitoring our waste and energy usage.

In the year to June 2012, we built 65% (2011: 67%) of our homes on brownfield land. At this year's National Housebuilder Awards, our Bluebell development in Nuneaton was the winner of the Best Regeneration Project Award. In each of our divisional offices, Green Teams have been established in the last 12 months to devise and implement schemes to reduce energy usage at a local level. In addition, we are delighted that three of our employees were recognised in *Building Magazine's* Top 50 Rising Stars in Sustainability.

We monitor the proportion of construction waste segregated for recycling on-site, which this year improved to 96% (2011: 95%). 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

Customers are at the heart of our business. We understand that our customers want support when making their purchase, and we are committed to offering the highest standards of quality and customer service, as well as good value, well-designed homes.

Our Customer Care Charter

Our Customer Care Charter, which is available on our website, ensures we remain focussed on our customers throughout their journey with us. We are committed to continuing to improve the customer experience, both on-site and online, and we regularly obtain feedback from all our customers at key points in the sale process.

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 continue 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. They include 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. During the last 12 months we have enhanced the design and content of our websites to ensure a customer's first enquiry delivers all the information they require. 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.

We continue to invest in the technological capabilities of our on-site sales centres, ensuring our sales advisers have the most up-to-date information immediately available to deliver a customer experience that is informative and hassle-free.

Assisting with mortgage products

We recognise the importance of helping our customers find suitable financial products to purchase their new homes. The Group's Head of Mortgage Lender Relations works closely with the banks that provide mortgages to our customers to ensure that there is an appropriate range of products available. We also participate as fully as we can in the Government-backed schemes, such as FirstBuy and NewBuy.

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

In addition to existing lenders, we actively pursue relationships with prospective 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 third year running of 5-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 2012 98% (2011: 98%) 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

The health and safety of our employees, our customers and the public remains a top priority for the Group. The Group's Safety, Health and Environmental management system ('SHE') is subject to continuous review and improvement and conforms to the health and safety standards OHSAS18001 and ISO14001. All our trading divisions adhere to the SHE guidelines and ongoing compliance is verified by a programme of internal and external audits. During the year we carried out over 5,000 monitoring visits and achieved an average compliance rate of 96% (2011: 96%).

We also measure health and safety performance by monitoring the Group's reportable Injury Incidence Rate ('IIR'). During the financial year ended 30 June 2012, our IIR reduced by 5% to 511 (2011: 539) 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 2012, the Group was awarded 30% of the total awards in the Large and Multi-storey builder categories and 13 of our site managers were recognised for excellence in health and safety. The Group received five commended and eight highly commended awards, within which our Renaissance scheme in East London was judged the overall national winner in the multi-storey category.

**Condensed consolidated income statement
for the year ended 30 June 2012**

	Notes	2012 Before exceptional items £m	2012 Exceptional items (note 6) £m	2012 £m	2011 Before exceptional items £m	2011 Exceptional items (note 6) £m	2011 £m
Continuing operations							
Revenue	5	2,323.4	–	2,323.4	2,035.4	–	2,035.4
Cost of sales		(2,027.2)	–	(2,027.2)	(1,807.6)	–	(1,807.6)
Gross profit		296.2	–	296.2	227.8	–	227.8
Administrative expenses		(105.1)	–	(105.1)	(92.8)	(7.7)	(100.5)
Profit from operations	5	191.1	–	191.1	135.0	(7.7)	127.3
Finance income	7	16.9	–	16.9	18.0	–	18.0
Finance costs	7	(97.7)	–	(97.7)	(110.4)	(46.5)	(156.9)
Net finance costs	7	(80.8)	–	(80.8)	(92.4)	(46.5)	(138.9)
Share of post-tax profit from joint ventures		0.5	–	0.5	0.1	–	0.1
Share of post-tax loss from associates		(0.1)	–	(0.1)	–	–	–
Loss on re-measurement of joint venture interest on acquisition of control	21	–	(10.7)	(10.7)	–	–	–
Profit/(loss) before tax		110.7	(10.7)	100.0	42.7	(54.2)	(11.5)
Tax	8	(32.6)	–	(32.6)	(17.2)	14.9	(2.3)
Profit/(loss) for the year		78.1	(10.7)	67.4	25.5	(39.3)	(13.8)
Profit/(loss) for the year attributable to equity shareholders		78.1	(10.7)	67.4	25.5	(39.3)	(13.8)
Earnings/(loss) per share from continuing operations							
Basic	9			7.0p			(1.4)p
Diluted	9			6.9p			(1.4)p

**Condensed consolidated statement of comprehensive income
for the year ended 30 June 2012**

	Notes	2012 £m	2011 £m
Profit/(loss) for the year		67.4	(13.8)
Other comprehensive (expense)/income			
Amounts deferred in respect of effective cash flow hedges		(21.1)	(23.6)
Actuarial/(losses)/gains on defined benefit pension schemes	16	(24.1)	22.0
Fair value adjustment on available for sale financial assets	11	(3.4)	2.5
Tax on items above	8	10.9	(1.7)
Net loss		(37.7)	(0.8)
Amounts reclassified to the income statement in respect of hedged cash flows	7	5.1	28.5
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur – exceptional	7	–	29.8
Tax on items above	8	(1.3)	(16.0)
Net profit transferred		3.8	42.3
Total comprehensive income recognised for the year attributable to equity shareholders		33.5	27.7

**Condensed consolidated statement of changes in shareholders' equity
at 30 June 2012**

	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 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 above	–	–	–	(10.4)	–	–	(7.3)	(7.3)	(17.7)
Total comprehensive income 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
Profit for the year	–	–	–	–	–	–	67.4	67.4	67.4
Amounts deferred in respect of effective cash flow hedges	–	–	–	(21.1)	–	–	–	–	(21.1)
Amounts reclassified to the income statement in respect of hedged cash flows	–	–	–	5.1	–	–	–	–	5.1
Fair value adjustments on available for sale financial assets	–	–	–	–	–	–	(3.4)	(3.4)	(3.4)
Actuarial losses on pension scheme	–	–	–	–	–	–	(24.1)	(24.1)	(24.1)
Tax on items above	–	–	–	3.2	–	–	6.4	6.4	9.6
Total comprehensive income/(expense) recognised for the year ended 30 June 2012	–	–	–	(12.8)	–	–	46.3	46.3	33.5
Issue of shares	1.1	5.1	–	–	–	–	–	–	6.2
Share-based payments	–	–	–	–	–	3.3	–	3.3	3.3
Transfer of share-based payments charge for non-vested options	–	–	–	–	–	(3.6)	3.6	–	–
Tax on share-based payments	–	–	–	–	–	(0.4)	1.1	0.7	0.7
At 30 June 2012	97.6	211.7	1,109.0	(37.4)	(5.0)	14.3	1,583.6	1,592.9	2,973.8

**Condensed consolidated balance sheet
at 30 June 2012**

	Notes	2012 £m	Group 2011 £m
Assets			
Non-current assets			
Other intangible assets		100.0	100.0
Goodwill	10	792.2	792.2
Property, plant and equipment		6.4	5.6
Investments		–	–
Investments accounted for using the equity method		85.6	102.8
Available for sale financial assets	11	189.2	169.4
Trade and other receivables		4.1	5.7
Deferred tax assets		118.6	143.2
Derivative financial instruments – swaps	14	29.4	25.0
		1,325.5	1,343.9
Current assets			
Inventories	12	3,226.6	3,296.8
Trade and other receivables		50.3	58.7
Cash and cash equivalents		150.3	72.7
Current tax assets		0.4	3.2
		3,427.6	3,431.4
Total assets		4,753.1	4,775.3
Liabilities			
Non-current liabilities			
Loans and borrowings	13	(331.2)	(405.5)
Trade and other payables		(359.4)	(352.5)
Retirement benefit obligations	16	(21.4)	(11.8)
Derivative financial instruments – swaps	14	(53.3)	(37.0)
		(765.3)	(806.8)
Current liabilities			
Loans and borrowings	13	(12.1)	(11.2)
Trade and other payables		(1,001.9)	(1,027.2)
		(1,014.0)	(1,038.4)
Total liabilities		(1,779.3)	(1,845.2)
Net assets		2,973.8	2,930.1
Equity			
Share capital	17	97.6	96.5
Share premium		211.7	206.6
Merger reserve		1,109.0	1,109.0
Hedging reserve		(37.4)	(24.6)
Retained earnings		1,592.9	1,542.6
Total equity		2,973.8	2,930.1

**Condensed consolidated cash flow statement
for the year ended 30 June 2012**

	Notes	2012 £m	Group 2011 £m
Net cash inflow from operating activities	18	149.7	100.2
Cash flows from investing activities			
Purchase of property, plant and equipment		(2.4)	(0.7)
Acquisition of subsidiaries net of cash acquired	21	1.6	(1.1)
Disposal of subsidiary undertaking		8.0	–
Increase in investments accounted for using the equity method		(7.9)	(22.8)
Interest received		0.2	4.4
Net cash outflow from investing activities		(0.5)	(20.2)
Cash flows from financing activities			
Proceeds from issue of share capital		6.2	–
Hedging termination costs		(0.4)	(27.1)
Other fees related to amendment of financing arrangements		–	(8.6)
Loan repayments		(77.4)	(518.1)
Net cash outflow from financing activities		(71.6)	(553.8)
Net increase/(decrease) in cash and cash equivalents		77.6	(473.8)
Cash and cash equivalents at the beginning of year		72.7	546.5
Cash and cash equivalents at the end of year	13	150.3	72.7

Notes to the condensed consolidated financial statements
For the year ended 30 June 2012

1. Cautionary statement

The Chairman's statement, Group Chief Executive's review, Finance review and Business review contained in this Annual Results Announcement, including the principal risks and uncertainties (note 25), have been prepared by the Directors in good faith based on the information available to them up to the time of their approval of this report solely for the Company's shareholders as a body, so as to assist them in assessing the Group's strategies and the potential for those strategies to succeed and accordingly should not be relied on by any other party or for any other purpose and the Company hereby disclaims any liability to any such other party or for reliance on such information for any such other purpose.

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

2. Basis of preparation

Whilst the financial information included in this Annual Results Announcement has been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and Standing Interpretations Committee ('SIC') interpretations as adopted and endorsed by the European Union ('EU'), this announcement does not itself contain sufficient information to comply with IFRS. Full financial statements that comply with IFRS are included in the 2012 Annual Report and Accounts which will be circulated to shareholders in October 2012 and made available at www.barrattddevelopments.co.uk at that point.

The accounting policies adopted are consistent with those followed in the preparation of the Group's 2012 Annual Report and Accounts which have not changed significantly from those adopted in the Group's 2011 Annual Report and Accounts. A summary of the more significant Group accounting policies is set out below.

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

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Group's business activities, together with factors which the Directors consider are likely to affect its future development, financial performance and financial position are set out in the Group Chief Executive's review and the Business review. The material financial and operational risks and uncertainties that may impact the Group's performance and their mitigation are outlined in note 25 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 15.

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the principal risks and uncertainties in note 25, 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.

As announced in May 2011, in accordance with the terms of the Group's refinancing, on 26 April 2012 the Group's committed revolving credit facilities ('RCFs') totalling £1,190.5m terminated and the forward start RCFs totalling £780m became available for drawing. At 30 June 2012, the Group's total committed facilities and private placement notes were £1,091m. The maturity dates of these facilities range from April 2013 to July 2021, with £690m of the RCFs maturing in May 2015.

The covenant package remains unchanged to that announced in May 2011.

On 6 September 2012, the Group gave voluntary notice to cancel the £90m RCF with effect from 12 September 2012, which reduces the Group's total committed facilities and private placement notes to £1,001m. The committed facilities and private placement notes now in place 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 Group has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the date of signing the financial statements. For this reason, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

3. Accounting policies

Adoption of new and revised standards

In the year ended 30 June 2012, the Group has adopted Amendment to IFRS7 'Disclosures – Transfers of Financial Assets', Amendment to IFRIC14 'Prepayment of a Minimum Funding Requirement', IAS24 (Revised) 'Related Party Transactions' and the Annual Improvements to IFRS (2010 tranche).

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 '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. 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 from operations

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

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 contribute to the durability of brands capitalised are that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangible assets.

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.

Leases 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 the fair value of the equity instrument at the date of grant. Fair value is measured either using Black-Scholes, Present-Economic Value or Monte Carlo models 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 the fair value of the liability at the date of grant and are re-measured both at the end of each reporting period and at the date of settlement with any changes in fair value being recognised in the income statement for the period. Fair value is measured initially and at the end of each reporting period using a Black-Scholes model and at the date of settlement as cash paid.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Pensions**Defined contribution**

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

Defined benefit

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

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

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

Borrowing costs

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

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group derecognises a financial liability only when the Group's obligations are discharged, cancelled or they expire.

Financial assets

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

Available for sale financial assets

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

Revenue from transactions involving available for sale financial assets is recognised at the fair value of consideration receivable.

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

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets and are measured at amortised cost less an allowance for any uncollectable amounts. The net of these balances are classified as 'trade and other receivables' in the balance sheet.

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

Impairment of financial assets

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand 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 14 and 15.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

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

Hedge accounting

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

Details of the fair values of the interest rate and cross currency swaps are provided in notes 13 and 14. 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 Group revokes the hedging relationship, the hedging instrument expires, is sold or 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 not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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

Kickstart

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

In accordance with the requirements of IFRS, the Group has detailed below the critical accounting judgements made and the key sources of estimation uncertainty within these financial statements.

a) Critical accounting judgements

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

b) Key sources of estimation uncertainty

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

Carrying value of land and work in progress

The Group's principal activity is housebuilding and commercial development. The majority of the development activity is not contracted prior to the development commencing. Accordingly, the Group has in its balance sheet at 30 June 2012 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 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
2012	6.6	–	6.6
Total	608.1	124.0	732.1
Impairment utilised			
2008	–	–	–
2009	262.7	86.3	349.0
2010	91.7	4.8	96.5
2011	71.4	13.8	85.2
2012	70.1	0.5	70.6
Total	495.9	105.4	601.3
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
2012	112.2	18.6	130.8

In 2012, this review resulted in £nil (2011: £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 £31.5m (2011: £65.0m). In addition, due to changes arising from normal trading, such as planning status, there was a net inventory impairment charge of £6.6m (2011: £5.4m) included within profit from operations. There was £nil (2011: £nil) net impairment for the commercial developments business although there were gross impairment charges and reversals of £3.3m (2011: £1.2m) due to performance variations upon individual commercial sites.

Excluding the operating impairment charge of £6.6m (2011: £5.4m), included within gross profit is a charge of £6.7m (2011: benefit of £4.7m) 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 2012 the Group had a total land holding of £2,077.3m of which £1,964.2m is land held for current housing development. Of this £319.7m is made up from impaired land, £677.2m consists of non-impaired land purchased prior to mid-2009 where the gross margin is on average c. 9%, and the remaining £967.3m has an average gross margin of around 20% based on current house prices.

In the past six months, in general, the Group has not seen an improvement in underlying prices and has continued to manage costs to achieve no overall net cost inflation. 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 36% of the impaired plots are expected to be realised within one year, 23% between one and two years, and 41% 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 2012, is as follows:

Uniform fall in national house prices	Indicative impairment
5%	£200m
10%	£456m

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 2012 was £792.2m with no impairment recognised during the year ended 30 June 2012.

Impairment of brands

The determination of the impairment calculation for the Group's indefinite life brand, David Wilson Homes, requires an estimation of the value-in-use of the brand. The value-in-use calculation requires an estimate of the future cash flows expected from this brand as part of the review of the carrying value of goodwill, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is based upon the average capital structure of the Group and current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Changes in these may impact upon the Group's discount rate in future periods. The carrying amount of indefinite life brands at 30 June 2012 was £100.0m with no impairment recognised during the year ended 30 June 2012.

Deferred tax assets

At 30 June 2012 the Group recognised a net deferred tax asset of £118.6m comprising of gross deferred tax assets of £148.3m and gross deferred tax liabilities of £29.7m. £124.9m related to losses that arose during 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 the 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 (2011: £192.0m) 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 2012, there was a loss of £16.6m (2011: gain of £6.1m) included in equity related to these swaps.

In addition, the Group has \$267.2m (2011: \$267.2m) 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 2012, there was a gain of £4.6m (2011: loss of £8.2m) 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 fair value. The fair value calculation requires an estimate of the future cash flows expected from the redemption of interest free loans, including an estimate of the market value of the property at the estimated time of repayment, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The estimated fair value is based on original selling prices, local market conditions with an allowance for low single digit sales price inflation. The estimated repayment profile is based on historical data for first time buyers selling their property. The discount rate used is consistent with the interest rate payable on a third party second charge loan of a similar amount and duration. Changes in these may impact upon the Group's discount rate in future periods. At 30 June 2012 the asset recognised on the balance sheet was £189.2m (2011: £169.4m).

5. Segmental analysis

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

	House-building Units	Commercial developments Units	2012 Total Units	House-building Units	Commercial developments Units	2011 Total Units
Residential completions	12,637	–	12,637	11,078	–	11,078
Income statement	£m	£m	£m	£m	£m	£m
Revenue	2,286.8	36.6	2,323.4	1,986.2	49.2	2,035.4
Cost of sales	(1,997.7)	(29.5)	(2,027.2)	(1,764.4)	(43.2)	(1,807.6)
Gross profit	289.1	7.1	296.2	221.8	6.0	227.8
Administrative expenses before restructuring costs	(99.5)	(5.6)	(105.1)	(87.6)	(5.2)	(92.8)
Profit from operations before restructuring costs	189.6	1.5	191.1	134.2	0.8	135.0
Restructuring costs	–	–	–	(7.7)	–	(7.7)
Profit from operations	189.6	1.5	191.1	126.5	0.8	127.3
Share of post-tax profit/(loss) from joint ventures and associates	0.7	(0.3)	0.4	0.1	–	0.1
Loss on re-measurement of joint venture interest on acquisition of control	(10.7)	–	(10.7)	–	–	–
Profit from operations including post-tax profit/(loss) from joint ventures and associates	179.6	1.2	180.8	126.6	0.8	127.4
Finance income			16.9			18.0
Finance costs – non exceptional			(97.7)			(110.4)
Finance costs – exceptional			–			(46.5)
Profit/(loss) before tax			100.0			(11.5)
Tax			(32.6)			(2.3)
Profit/(loss) for the year from continuing operations			67.4			(13.8)

	House-building £m	Commercial developments £m	2012 Total £m	House-building £m	Commercial developments £m	2011 Total £m
Balance sheet						
Segment assets	4,443.5	79.5	4,523.0	4,549.5	101.0	4,650.5
Elimination of intercompany balances			(39.2)			(94.3)
			4,483.8			4,556.2
Deferred tax assets			118.6			143.2
Current tax assets			0.4			3.2
Cash and cash equivalents			150.3			72.7
Consolidated total assets			4,753.1			4,775.3
Segment liabilities	(1,437.0)	(38.2)	(1,475.2)	(1,480.0)	(42.8)	(1,522.8)
Elimination of intercompany balances			39.2			94.3
			(1,436.0)			(1,428.5)
Loans and borrowings			(343.3)			(416.7)
Consolidated total liabilities			(1,779.3)			(1,845.2)

Other information	£m	£m	£m	£m	£m	£m
Capital additions	2.0	0.4	2.4	0.7	–	0.7
Depreciation	1.5	0.1	1.6	1.7	0.1	1.8

6. Exceptional items

In the year ended 30 June 2012 there was the following exceptional item:

Loss on re-measurement of joint venture interest on acquisition of control

In 2006 the Group entered into a joint venture agreement to develop sites in Greater Manchester including one in Hattersley. The Group's joint venture partner went into liquidation in March 2012 and on 9 May 2012 the Group acquired their share for £1. As required by IFRS3 (Revised) 'Business Combinations' the Group has disposed of its share in the joint venture entities and acquired the entities as subsidiaries resulting in an exceptional loss of £10.7m. Further details are provided in note 21.

In the year ended 30 June 2011 there were the following exceptional items:

Amended financing arrangements

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.

Restructuring costs

The Group incurred £7.7m of costs in relation to reorganising and restructuring the business, including redundancy costs of £3.7m.

7. Net finance costs

Recognised in income statement:

	Notes	2012 £m	2011 £m
Finance income on short-term bank deposits		(0.1)	(1.2)
Imputed interest on available for sale financial assets	11	(12.0)	(13.6)
Finance income related to employee benefits	16	(1.2)	–
Other interest receivable		(3.6)	(3.2)
Finance income		(16.9)	(18.0)
Interest on bank overdrafts and loans		48.9	46.2
Imputed interest on deferred term land payables		28.8	27.6
Finance costs related to employee benefits	16	–	0.9
Amounts reclassified to the income statement in respect of hedged cash flows		5.1	28.5
Foreign exchange losses/(gains) on US Dollar debt		4.0	(7.0)
Amortisation of facility fees		3.5	6.2
Imputed interest on Kickstart equity funding		(0.2)	0.9
Other interest payable		7.6	7.1
Finance costs before exceptional items		97.7	110.4
Net finance costs before exceptional items		80.8	92.4
Exceptional finance costs			
Hedging termination costs		–	29.8
Write-off of previous facility unamortised fees		–	8.1
Other fees related to amendment of financing arrangements		–	8.6
Exceptional finance costs	6	–	46.5
Total finance costs		97.7	156.9
Net finance costs		80.8	138.9

8. Tax

Analysis of the tax charge for the year

	Notes	2012 £m	2011 £m
Current tax			
UK corporation tax for the year		(0.9)	–
Adjustment in respect of previous years		(0.2)	(10.5)
		(1.1)	(10.5)
Deferred tax			
Origination and reversal of temporary differences		27.3	(4.4)
Adjustment in respect of previous years		(2.3)	7.6
Impact of reduction in corporation tax rate		8.7	9.6
		33.7	12.8
Tax charge for the year		32.6	2.3

In addition to the amount charged to the income statement, a net deferred tax credit of £10.3m (2011: charge of £17.7m) was recognised directly in equity.

Factors affecting the tax charge for the year

The tax rate assessed for the year is higher (2011: higher) than the standard rate of corporation tax in the UK of 25.5% (2011: 27.5%).

The differences are explained below:

	2012 £m	2011 £m
Profit/(loss) before tax	100.0	(11.5)
Profit/(loss) before tax multiplied by the standard rate of corporation tax of 25.5% (2011: 27.5%)	25.5	(3.2)
Effects of:		
Other items including non-deductible expenses	–	0.4
Loss on re-measurement of joint venture interest on acquisition of control	2.7	–
Additional tax relief for land remediation costs	(2.0)	(1.7)
Adjustment in respect of previous years	(2.5)	(2.9)
Tax in respect of joint ventures	(0.2)	(0.1)
Tax on share-based payments	0.4	0.2
Impact of change in tax rate on deferred tax asset	8.7	9.6
Tax charge for the year	32.6	2.3

Legislation reducing the main rate of corporation tax to 24% with effect from 1 April 2012 was substantively enacted on 29 March 2012. Accordingly, the current year tax charge has been provided for at an effective rate of 25.5% and the closing deferred tax asset has been provided for at a rate of 24% in the financial statements.

An additional reduction in the main rate of corporation tax from 24% to 23% with effect from 1 April 2013 was enacted within the Finance Act 2012 on 17 July 2012. As this reduction was not substantively enacted by the balance sheet date, its effect has not been reflected in the financial statements.

A further reduction in the main rate of corporation tax of 1% to 22% on 1 April 2014 has been announced by the Government but has not yet been substantively enacted; therefore its effect has not been reflected in the financial statements.

If the deferred tax assets and liabilities of the Group were all to reverse after 2014, the effect of the reduction from 24% to 22% would be to reduce the net deferred tax asset by £9.9m. To the extent that the net deferred tax asset reverses more quickly than this, the impact of the rate reductions on the net deferred tax asset will be reduced.

9. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £67.4m (2011: loss of £13.8m) 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 963.9m (2011: 961.4m).

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £67.4m by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive share options from the start of the year, giving a figure of 979.6m shares. There was no difference between the basic and diluted loss per share for the Group in the prior year as the Group was loss making.

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

	2012 pence	2011 pence
Basic earnings/(loss) per share	7.0	(1.4)
Adjusted basic earnings per share	8.1	2.7
Diluted earnings/(loss) per share	6.9	(1.4)
Adjusted diluted earnings per share	8.0	2.7

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

	2012 £m	Basic 2012 pence	Diluted 2012 pence	2011 £m	2011 pence
Profit/(loss) for basic and diluted loss per share	67.4	7.0	6.9	(13.8)	(1.4)
Add: exceptional finance costs	–	–	–	46.5	4.8
Add: exceptional loss on disposal of joint venture	10.7	1.1	1.1	–	–
Add: exceptional restructuring costs	–	–	–	7.7	0.8
Less: tax effect of above items	–	–	–	(14.9)	(1.5)
Earnings for adjusted basic and adjusted diluted earnings per share	78.1	8.1	8.0	25.5	2.7

Earnings/(losses) are adjusted, removing exceptional finance costs, exceptional loss on disposal of joint venture, exceptional restructuring costs and the related tax to reflect the Group's underlying profit/(loss).

10. Goodwill

	Group £m
Cost	
At 1 July 2010, 30 June 2011 and 30 June 2012	816.7
Accumulated impairment losses	
At 1 July 2010, 30 June 2011 and 30 June 2012	24.5
Carrying amount	
At 30 June 2011 and 30 June 2012	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 2012 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 12.9% (2011: 12.3%) 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 2012 impairment review is calculated using the average capital structure of the Group during the financial year, consistent with the prior year, due to the cyclicity of the Group's borrowing requirements.
- 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 2012 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 £379.1m (2011: £428.5m).

If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reducing by 1.0% per annum (2011: 1.5% per annum) or the appropriate discount rate were to increase by 1.0% (2011: 1.0%) and all other variables were held constant then the recoverable value of goodwill and intangible assets would equal its carrying value. Further information is given in Critical accounting judgements and key sources of estimation uncertainty.

11. Available for sale financial assets

	Notes	2012 £m	Group 2011 £m
At 1 July		169.4	136.3
Additions		27.7	40.6
Disposals		(4.7)	(7.3)
Imputed interest	7	12.0	13.6
Net impairment taken through income statement		(11.8)	(16.3)
Fair value adjustment taken through other comprehensive income		(3.4)	2.5
At 30 June		189.2	169.4

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 £11.8m (2011: £16.3m) in cost of sales.

The present value of expected future cash flows is calculated using a discount rate consistent with the interest rate payable on a third party second charge loan of a similar amount and duration. This is considered to be the most appropriate rate as the interest free loans are similar in nature to second charge loans offered by third party financial institutions. The average discount rate used for year ended 30 June 2012 was 7.5% (2011: 7.0%). The movement in the discount rate during the year has resulted in a fair value adjustment debit which has been taken through other comprehensive income of £3.4m (2011: credit £2.5m).

The estimated fair value is based on original selling prices, local market conditions with an allowance for low single digit sales price inflation. The Group has also used independent valuation specialists to review and assess the estimated portfolio value.

The repayment profile used to calculate the timing of future cash flows is based on historical data for first time buyers selling their property.

The net impairment of the available for sale financial assets taken through the income statement relates to borrower default including an estimate made for losses incurred that have not yet been reported to the Group by the home owner or the first charge provider 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 15.

12. Inventories

	2012 £m	Group 2011 £m
Land held for development	2,077.3	2,189.7
Construction work in progress	1,065.5	1,023.2
Part-exchange properties	80.2	78.9
Other inventories	3.6	5.0
	3,226.6	3,296.8

a) Nature of inventories

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

b) Impairment of inventories

At 30 June 2012 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 £nil (2011: £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 £31.5m (2011: £65.0m). In addition, due to changes arising from normal trading, such as planning status, there was a net inventory impairment charge of £6.6m (2011: £5.4m) included within profit from operations. There was £nil (2011: £nil) net impairment for the commercial developments business, although there were gross impairment charges and reversals of £3.3m (2011: £1.2m) due to performance variations upon individual commercial sites.

The key judgements in these reviews were estimating the realisable value of a site which is determined by forecast sales rates, expected sales prices and estimated costs to complete. Sales prices were estimated on a site-by-site basis based upon local market conditions and took into account the current prices being achieved upon each site for each product type. In addition, the estimation of future sales prices included an allowance on a site-by-site basis for low single digit sales price inflation in future periods. The estimation of costs to complete also included an allowance for low single digit build cost inflation in future periods. Further information regarding these judgements is included within Critical accounting judgements and key sources of estimation uncertainty.

In the past six months, in general, the Group has not seen an improvement in underlying prices and has continued to control overall cost inflation. 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 £607.5m (2011: £793.1m) 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 2012 and included in cost of sales was £1,900.5m (2011: £1,696.7m) including £18.8m (2011: £11.8m) of inventory write-downs incurred in the course of normal trading and a reversal of £nil (2011: £0.4m) on inventories that were written down in a previous accounting period, but excluding the £nil (2011: £nil) exceptional impairment and £6.6m (2011: £5.4m) operating impairment.

The value of inventories written down and recognised as an expense in 2012 totalled £25.4m (2011: £17.2m), being the £6.6m (2011: £5.4m) operating impairment and £18.8m (2011: £11.8m) incurred in the normal course of trading.

13. Loans and borrowings

a) Net debt

Net debt at 30 June is shown below:

	2012 £m	Group 2011 £m
Cash and cash equivalents	150.3	72.7
Non-current borrowings		
Bank loans	(106.2)	(175.2)
Private placement notes	(225.0)	(230.3)
Total non-current borrowings	(331.2)	(405.5)
Current borrowings		
Bank overdrafts	–	–
Loan notes	(0.2)	(0.3)
Private placement notes	(10.6)	–
Kickstart equity funding	(1.3)	(10.9)
Total current borrowings	(12.1)	(11.2)
Total borrowings	(343.3)	(416.7)
Derivative financial instruments		
Foreign exchange swaps	25.3	21.4
Net debt	(167.7)	(322.6)

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 30 June are shown below:

	2012 £m	Group 2011 £m
Foreign exchange swap – exchange rate element	25.3	21.4
Foreign exchange swap – interest rate element	3.3	2.6
	28.6	24.0
Interest rate swaps	(52.5)	(36.0)
Net derivative financial instruments	(23.9)	(12.0)

b) Drawn debt facilities

The drawn debt at 30 June comprises:

	2012 £m	Group 2011 £m
Non-current		
Bank loans	106.2	175.2
Private placement notes	225.0	230.3
Total non-current borrowings	331.2	405.5
Current		
Bank overdrafts	–	–
Loan notes	0.2	0.3
Private placement notes	10.6	–
Kickstart equity funding	1.3	10.9
Total current borrowings	12.1	11.2
Total borrowings	343.3	416.7

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

	2012 %	Group 2011 %
Bank loans net of swap interest	7.3	7.4
Loan notes	0.7	0.5
Private placement notes	11.1	11.5

The principal features of the Group's drawn debt facilities at 30 June 2012 were as follows:

i) Committed facilities

- A committed £690.0m revolving credit facility, of which £20.0m was drawn at 30 June 2012, made available under a credit agreement dated 10 May 2011. The maturity date on this debt is 10 May 2015.
- A committed £90.0m revolving credit facility, none of which was drawn at 30 June 2012, made available under a credit agreement dated 10 May 2011. The maturity date on this debt is 31 October 2013, however on 6 September 2012 the Group gave voluntary notice for its cancellation. Further details of the cancellation are set out in note 22.
- A committed £100.0m term loan of which £100.0m was drawn at 30 June 2012, made available under a credit agreement dated 10 May 2011. The maturity of which is 25% 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

- £65.8m of fixed rate Sterling private placement notes expire between 23 April 2018 and 23 April 2020 and were 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).

iii) Fixed rate US Dollar private placement notes

- US Dollar private placement notes of \$80.0m due on 23 August 2017 were issued pursuant to note purchase agreements dated 10 May 2011.
- 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 £0.2m (2011: £0.3m) Sterling loan notes at 30 June 2012. These loan notes were repayable at 30 June or 31 December each year at the option of the noteholder or, to the extent not previously repaid, were due in July 2012, and are subject to floating rates of interest linked to LIBOR.

14. Derivative financial instruments

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

	Asset £m	2012 Liability £m	Asset £m	Group 2011 Liability £m
Designated as cash flow hedges				
Non-current				
Interest rate swaps	–	(52.5)	–	(36.0)
Foreign exchange swaps	29.4	(0.8)	25.0	(1.0)
Total derivative financial instruments	29.4	(53.3)	25.0	(37.0)

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.

During the year ended 30 June 2011 swaps with a notional amount of £288.0m were cancelled following the Group's 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 2012 the Group had outstanding net floating rate Sterling debt of £106.5m (2011: £175.5m) and the Company

had outstanding net floating rate Sterling debt and overdrafts of £108.9m (2011: £281.8m). 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 (2011: £192.0m) of this debt into fixed rate Sterling debt in accordance with the Group and Company treasury policy outlined in note 15. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

£m	Fixed rate payable %	2012 Maturity	£m	Fixed rate payable %	2011 Maturity
60.0	6.08	2017	60.0	6.08	2017
19.5	6.18	2017	19.5	6.18	2017
32.5	5.83	2017	32.5	5.83	2017
30.0	5.94	2022	30.0	5.94	2022
50.0	5.63	2022	50.0	5.63	2022
192.0			192.0		

The swap arrangements are designated as a cash flow hedge against future interest rate movements. The fair value of the swap arrangements as at 30 June 2012, which is based on third party valuations, was a liability of £52.5m (2011: £36.0m) with a loss of £16.6m (2011: gain of £6.1m) charged directly to equity in the year.

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

b) Foreign exchange swaps

The Group 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 2012 the Group and Company had outstanding fixed rate US Dollar loan notes of \$267.2m (2011: \$267.2m).

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 15. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

\$m	Fixed rate payable %	2012 Maturity	\$m	Fixed rate payable %	2011 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	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			267.2		

The swap arrangements are designated as cash flow hedges against future foreign exchange rate movements. The hedges match the contractual initial receipt, the final settlement and match 82% of the interest payments. The fair value of the swap arrangements as at 30 June 2012, which is based on third party valuations, was an asset of £28.6m (2011: £24.0m) with a gain of £4.6m credited (2011: loss of £8.2m 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.

15. Financial risk management

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

The Board approves treasury policies and certain day-to-day treasury activities have been delegated to a centralised Treasury Operating Committee, which in turn regularly reports to the Board. The treasury department implements guidelines that are established by the Board and the Treasury Operating Committee.

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April and May and October and November of each year, due to seasonal trends in income. Accordingly the Group maintains sufficient facility headroom to cover these requirements. On a normal operating basis the Group has a policy of maintaining headroom of up to £150.0m. The Group identifies and takes appropriate actions based upon its regular, detailed system for the reporting and forecasting of cash flows from its operations. At 30 June 2012, the Group had committed bank and other facilities of £1,091.0m (2011: £1,501.6m) and total facilities of £1,137.2m (2011: £1,547.8m). The Group's drawn debt against these facilities was £342.0m (2011: £405.8m). This represented 31.3% (2011: 27.0%) of available committed facilities at 30 June 2012. In addition the Group had £150.3m (2011: £72.7m) of cash and cash equivalents.

On 6 September 2012, the Group gave voluntary notice to cancel the £90.0m revolving credit facility with effect from 12 September 2012. Further details of the cancellation are set out in note 22.

The Group was in compliance with its financial covenants at 30 June 2012. 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 2012, the average maturity of the Group's facilities was 3.7 years (2011: 3.7 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	2012 £m	Group 2011 £m
In less than one year	–	228.5
In more than one year but not more than two years	90.0	–
In more than two years but not more than five years	670.0	770.0
In more than five years	–	100.0
	760.0	1,098.5

In addition, the Group had £46.2m (2011: £46.2m) of undrawn uncommitted facilities available at 30 June 2012.

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
2012			
Non-derivative financial assets	189.2	177.7	366.9
Non-derivative financial liabilities	–	(1,542.4)	(1,542.4)
Derivatives	–	(23.9)	(23.9)
	189.2	(1,388.6)	(1,199.4)
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)

The value of the Group's available for sale financial assets is directly linked to the UK housing market. At 30 June 2012 these assets were carried at a fair value of £189.2m (2011: £169.4m). Further information is set out in note 11.

Sensitivity analysis

At 30 June 2012, 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 £9.7m (2011: £8.1m) with a corresponding reduction in both the result for the year and equity.

ii) Interest rate risk

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

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

The Group has a conservative treasury risk management strategy. The proportion of the Group's median gross borrowings calculated on the latest three-year plan that should be at fixed rates of interest is determined by the average expected interest cover for that period. The current target is for 30-60% to be at fixed rates of interest. Due to the cyclical nature of our borrowings throughout the year, at 30 June 2012, 61.7% (2011: 99.3%) 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
2012				
Financial liabilities (excluding derivatives)	106.5	236.8	1,199.1	1,542.4
Impact of interest rate swaps	(192.0)	192.0	–	–
Financial liability exposure to interest rate risk	(85.5)	428.8	1,199.1	1,542.4
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

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 2012 was 3.5% (2011: 2.4%).

Sterling private placement notes of £65.8m (2011: £65.8m) 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 2012 was 12.0% (2011: 11.9%) with, at 30 June 2012 a weighted average period of 6.9 years (2011: 7.9 years) for which the rate is fixed.

US Dollar denominated private placement notes of £145.0m (2011: £145.0m) 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 2012 was 10.2% (2011: 11.0%) with, at 30 June 2012, a weighted average period of 4.9 years (2011: 5.9 years) for which the rate is fixed.

Sensitivity analysis

In the year ended 30 June 2012, if UK interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit would decrease/increase by £1.6m (2011: £0.4m), the Group's post-tax profit would decrease/increase by £1.2m (2011: £0.3m) and the Group's equity would decrease/increase £1.2m (2011: £0.3m).

iii) Foreign exchange rate risk

As at 30 June 2012, the Group has fixed rate US Dollar denominated private placement notes of \$267.2m (2011: \$267.2m). In order to mitigate risks associated with the movement in the foreign exchange rate, the Group has a policy of fully hedging the principal of its US Dollar denominated debt and a significant proportion of the interest payments. The Group therefore entered into foreign exchange swap arrangements on the issue of its US Dollar denominated debt, all of which are designated as cash flow hedges. Accordingly the Group has no net exposure to foreign currency risk on the principal of its US Dollar debt. The foreign exchange swaps match 82% of the interest payments and therefore the Group is subject to foreign exchange rate risk upon the remaining 18%.

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

Sensitivity analysis

In the year ended 30 June 2012, 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 profit would decrease/increase by £0.3m (2011: £0.7m), the Group's post-tax profit would decrease/increase by £0.2m (2011: £0.5m) and the Group's equity would decrease/increase by £0.2m (2011: £0.5m).

c) Credit risk

In the majority of cases, the Group receives cash upon legal completion for private sales and receives advance stage payments from Registered Social Landlords for social housing. The Group has £189.2m (2011: £169.4m) of available for sale financial assets which expose it to credit risk, although this asset is spread over a large number of properties. As such, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group manages credit risk in the following ways:

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

The maximum exposure to any counterparty at 30 June 2012 was £42.5m (2011: £15.8m) of cash on deposit with a financial institution. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

d) Capital risk management (cash flow risk)

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

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

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. The management of these operational risks is set out in the principal risks and uncertainties in note 25.

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

16. Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

Defined contribution schemes

	2012 £m	2011 £m
Contributions during the year		
Group defined contribution schemes consolidated income statement charge	6.7	6.4

At the balance sheet date there were outstanding contributions of £0.5m (2011: £0.5m), which were paid on or before the due date.

Defined benefit scheme

The Group operates a funded defined benefit pension scheme in Great Britain, 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.

The most recent full actuarial valuation of the Scheme was carried out at 30 November 2010. The results of this valuation have been updated to 30 June 2012 by a qualified independent actuary. The Group has agreed with the Trustees to make contributions to the Scheme of £13.3m per annum until 31 January 2017 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.

At the balance sheet date there were outstanding contributions of £1.1m (2011: £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	2012	2011
Weighted average assumptions to determine benefit obligations		
Discount rate	4.80%	5.50%
Rate of price inflation	2.90%	3.50%
Weighted average assumptions to determine net cost		
Discount rate	5.50%	5.40%
Expected long-term rate of return on plan assets	6.10%	5.96%
Rate of price inflation	3.50%	3.20%

Members are assumed to exchange 15% 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)	24.1 years	26.5 years
Non-retired member born in 1965 (life expectancy at age 65)	25.8 years	28.6 years

The base mortality assumptions are based upon the S1NA mortality tables. The Group has carried out a mortality investigation of the Scheme's membership to ensure that this is an appropriate assumption. In 2011 the base mortality assumptions were based upon the PA92 mortality tables. 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 1.25% (2011: 1.0%).

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%	£5.8m (2.1%)

Assumptions	Change in assumption	Increase in Scheme liabilities
Rate of inflation	Increase by 0.1%	£3.7m (1.3%)
Life expectancy	Increase by 1 year	£7.4m (2.6%)

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

	2012 £m	2011 £m
Interest cost	13.6	13.1
Expected return on Scheme assets	(14.8)	(12.2)
Total pension (income)/cost recognised in net finance costs in the consolidated income statement	(1.2)	0.9
Total pension (income)/cost recognised in the consolidated income statement	(1.2)	0.9

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

	2012 £m	2011 £m
Expected return less actual return on Scheme assets	(0.7)	(18.5)
Loss/(gain) arising from changes in the assumptions underlying the present value of benefit obligations	24.8	(3.5)
Total pension cost/(income) recognised in the Group statement of comprehensive income	24.1	(22.0)

The amount included in the Group and Company balance sheets arising from obligations in respect of the defined benefit pension scheme is as follows:

	2012 £m	2011 £m
Present value of funded obligations	280.5	250.6
Fair value of Scheme assets	(259.1)	(238.8)
Deficit for funded Scheme/net liability recognised in the Group and Company balance sheets at 30 June	21.4	11.8

	2012 £m	2011 £m
Net liability for defined benefit obligations at 1 July	11.8	46.1
Contributions paid to the scheme	(13.3)	(13.2)
(Income)/expense recognised in the consolidated income statement	(1.2)	0.9
Amounts recognised in the Group statement of comprehensive income	24.1	(22.0)
Net liability for defined benefit obligations at 30 June	21.4	11.8

A deferred tax asset of £5.2m (2011: £3.1m) has been recognised in the Group balance sheet in relation to the pension liability.

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

	2012 £m	2011 £m
Present value of benefit obligations at 1 July	250.6	248.3
Interest cost	13.6	13.1
Actuarial loss/(gain)	24.8	(3.5)
Benefits paid from Scheme	(8.5)	(7.3)
Present value of benefit obligations at 30 June	280.5	250.6

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

	2012 £m	2011 £m
Fair value of Scheme assets at 1 July	238.8	202.2
Expected return on Scheme assets	14.8	12.2
Actuarial gain on Scheme assets	0.7	18.5
Employer contributions	13.3	13.2
Benefits paid from Scheme	(8.5)	(7.3)
Fair value of Scheme assets at 30 June	259.1	238.8

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

	Percentage of Scheme assets	2012 Expected return on Scheme assets	Percentage of Scheme assets	2011 Expected return on Scheme assets
Equity securities	49.2%	6.20%	50.3%	7.30%
Debt securities	50.2%	3.70%	49.5%	4.77%
Other	0.6%	0.50%	0.2%	0.50%
Total	100.0%	4.91%	100.0%	6.10%

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:

	2012 £m	2011 £m
Actual return on Scheme assets	15.5	30.7

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

	2012	2011	2010	2009	2008
Present value of defined benefit obligations (£m)	(280.5)	(250.6)	(248.3)	(201.9)	(208.8)
Fair value of Scheme assets (£m)	259.1	238.8	202.2	170.4	171.6
Deficit in the Scheme (£m)	(21.4)	(11.8)	(46.1)	(31.5)	(37.2)
Experience adjustment in Scheme liabilities (£m)	–	6.8	–	–	11.4
Percentage of Scheme liabilities (%)	–	2.7	–	–	5.5
Experience adjustment in Scheme assets (£m)	0.7	18.5	17.6	(20.5)	(17.3)
Percentage of Scheme assets (%)	0.3	7.7	8.7	(12.0)	(10.1)
Amount recognised in the Group statement of comprehensive income (£m)	24.1	(22.0)	26.3	14.1	(20.1)
Percentage of Scheme assets (%)	9.3	(9.2)	13.0	8.3	(11.7)

The cumulative amount of actuarial gains and losses since 30 June 2005 recognised in the Group statement of comprehensive income is a loss of £9m.

The expected employer contribution to the defined benefit pension scheme in the year ending 30 June 2013 is £13.3m.

17. Share capital

	2012 £m	2011 £m
Allotted and issued ordinary shares		
10p each fully paid: 975,790,605 ordinary shares (2011: 965,341,126)	97.6	96.5

During the year 8,313,562 (2011: 6,841,830) awards of the Company's shares were granted under the Company's Executive Long-Term Performance Plan, 6,896,472 (2011: 1,491,892) options were granted under the Savings-Related Share Option Scheme ('SRSOS') and 132,491 (2011: nil) awards were granted under the Co-Investment Plan.

During the year, 10,449,479 (2011: 126,111) shares were issued to satisfy exercises under the 2009 SRSOS.

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 3,849,556 (2011: 3,858,573) ordinary shares in the Company. The market value of the shares held by the EBT at 30 June 2012 at 139.1 pence per share (2011: 114.2 pence per share) was £5,354,732 (2011: £4,406,490). 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 and Long-Term Performance Plans. These ordinary shares do not rank for dividend and do not count in the calculation of the weighted average number of shares used to calculate earnings per share until such time as they are vested to the relevant employee.

18. Cash flows from operating activities

	Notes	2012 £m	Group 2011 £m
Profit/(loss) for the year from continuing operations		67.4	(13.8)
Tax		32.6	2.3
Finance income		(16.9)	(18.0)
Finance costs		97.7	156.9
Share of post-tax profit from joint ventures		(0.5)	(0.1)
Share of post-tax loss from associates		0.1	–
Loss on re-measurement of joint venture interest on acquisition of control		10.7	–
Profit from operations		191.1	127.3
Depreciation		1.6	1.8
Impairment of inventories – non exceptional	12	6.6	5.4
Impairment of available for sale financial assets	11	11.8	16.3
Share-based payments charge		3.1	1.4
Imputed interest on deferred term land payables	7	(28.8)	(27.6)
Imputed interest on available for sale financial assets	7, 11	12.0	13.6
Amortisation of facility fees	7	(3.5)	(6.2)
Imputed interest on Kickstart equity funding	7	0.2	(0.9)
Write-off of previous facility unamortised fees	7	–	(8.1)
Finance income/(costs) related to employee benefits	7, 16	1.2	(0.9)
Total non-cash items		4.2	(5.2)
Decrease in inventories		71.7	72.1
Decrease in trade and other receivables		14.0	2.5
(Decrease)/increase in trade and other payables		(39.9)	23.2
Increase in available for sale financial assets		(35.0)	(46.7)
Total movements in working capital		10.8	51.1
Interest paid		(60.3)	(77.5)
Tax received		3.9	4.5
Net cash inflow from operating activities		149.7	100.2

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

19. Contingent liabilities

a) Contingent liabilities related to subsidiaries

The Company has guaranteed certain bank borrowings of its subsidiary undertakings.

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

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £424.8m (2011: £434.1m), 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 2012, the Group has an obligation to repay £0.9m (2011: £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 £2.8m (2011: £3.1m) 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 Limited ('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 March 2012, a Jury came to a verdict that the deaths were accidental and issued a narrative with their verdict that made no criticism of BDW. 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 11 September 2012, being the last practicable date prior to the publication of the Annual Report and Accounts, the risk of a finding of criminal liability against BDW is low.

ii) Incident at Bedfont Azure Lakes

On 28 February 2008, a resident was found dead and another resident seriously injured in housing association accommodation at the Bedfont Azure Lakes site, that was developed by BDW. It is believed that the cause of both the death and the serious injury was carbon monoxide poisoning. Following investigations by the Police and the Health and Safety Executive criminal proceedings were pursued against the plumbing and heating sub-contractor, and against an individual registered gas engineer. The criminal charges included alleged manslaughter caused by gross negligence and breach of gas legislation. The criminal trial against these defendants began in March 2012 and after a trial lasting for circa 75 days the jury returned unanimous verdicts of not guilty against both defendants on all charges. Following the conclusion of the criminal case an inquest will be arranged. 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 recoverable or to which they are covered by the Group's insurance or the insurance of other parties cannot, at present, be clearly ascertained.

iii) Barratt American Incorporated

A former indirect subsidiary of the Company, Barratt American Incorporated ('American'), is one of a number of defendants in a construction defect claim commenced in California. The Company has also been named as a defendant in this construction defect claim, as well as in a separate class action claim which arises out of the same alleged facts. (The construction defect claim and the class action claim will be referred to jointly as the 'Claims'). American was sold in August 2004 and subsequently became insolvent, although it has significant insurance and is represented by counsel.

The Company asserted that the courts in California have no jurisdiction over it. Ultimately the California Supreme Court disagreed. Nevertheless, the majority of the events in issue in both of the Claims post-date the 2004 sale and the Company asserts that it had no involvement in these post-sale events. The Company and the Directors' believe that the Company has good defences to both Claims, although the outcome of the Claims remains uncertain and may not be known for some time.

20. Related party transactions

a) Remuneration of key personnel

Disclosures related to the remuneration of key personnel as defined in IAS24 'Related Party Disclosures' will be provided in the 2012 Annual Report and Accounts.

b) Transactions between the Group and its joint ventures

The Group has entered into transactions with its joint ventures in respect of funding and development management services (with charges made based on the utilisation of these services). These transactions totalled £2.0m (2011: £2.4m) and £2.1m (2011: £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 2012 will be disclosed in the 2012 Annual Report and Accounts. The amount of other outstanding payables to the Group from its joint ventures at 30 June 2012 totalled £nil (2011: £nil). The Group provided bank guarantees to the value of £nil (2011: £nil) to its joint venture partners during the year.

c) Transactions between the Group and its associates

The amount of outstanding loans due to the Group from its associates at 30 June 2012 was £0.3m (2011: £nil). The amounts outstanding are unsecured and will be settled in cash. The Group has provided bank guarantees to the value of £2.8m (2011: £3.1m) in relation to one of its associates during the year. There were no other amounts outstanding to the Group from its associates at 30 June 2012.

d) Property purchases by Directors of BDW Trading Limited

The Board and certain members of senior management are related parties within the definition of IAS24 (Revised) 'Related Party Disclosures' and Chapter 11 of the UK Listing Rules. There is no difference between transactions with key personnel of the Company and the Group.

During the year the Group entered into the following 'smaller related party transactions' as defined in Listing Rule 11.1.10R:

- In November 2011, the partner of Gary Ennis, a Director of the Company's main trading subsidiary, BDW Trading Limited ('BDW') purchased an apartment from BDW at a purchase price of £242,250.
- In December 2011, the spouse of Richard Brooke, a Director of BDW, purchased three properties from BDW at a combined purchase price of £231,950.
- In February 2012, the son of Douglas McLeod, a Director of the Company's Scottish trading entity, BDW East Scotland Limited ('East Scotland'), purchased an apartment from East Scotland at a purchase price of £176,025.

Each of the aforementioned purchases was conducted at a fair and reasonable market price based on similar comparable transactions at that time. There were no amounts outstanding at 30 June 2012 in relation to these transactions.

21. Acquisitions

In 2006 the Group entered into a joint venture agreement to develop sites in Greater Manchester including one in Hattersley. The Group's interest comprised 50% of Base Regeneration LLP and its subsidiaries, Base East Central Rochdale LLP, Base Hattersley LLP and Base Werneth Oldham LLP. The Group's joint venture partner went into liquidation in March 2012 and on 9 May 2012 the Group acquired their 50% share for £1. Following this transaction the Group wholly owns these entities. In accordance with IFRS3 (Revised) 'Business Combinations' the Group has disposed of its share in the joint venture and acquired the entities as subsidiaries. The total cost of investment to the Group of the 100% equity holding was £25.5m. On consolidation the Group has reviewed the fair value of the assets and liabilities of the entities acquired. This resulted in a loss on re-measurement of the joint venture interest on acquisition of control of £10.7m in the year ended 30 June 2012. The cash inflow in respect of this acquisition during the year ended 30 June 2012 was £1.6m which is net of consideration of £1 paid to Artday LLP.

The recognised amounts of identifiable assets acquired and liabilities assumed are set out in the table below:

	Provisional fair value £m
Net assets acquired	
Inventories	16.2
Trade and other receivables	0.7
Cash and cash equivalents	1.6
Trade and other payables	(2.5)
Deferred tax liabilities	(1.2)
Total consideration paid	14.8
Satisfied by	
Cash	-
Fair value of joint venture interest previously owned	14.8
	14.8
Net cash inflow arising on acquisition	
Cash consideration	-
Cash and cash equivalents	1.6
	1.6

The accounting for this business combination has been prepared on a provisional basis as new information regarding the identifiable assets and liabilities as at the acquisition date may arise during the measurement period, being no more than one year from the date of acquisition.

The provisional fair value adjustments recognised on acquisition relate to the value of inventories and primarily the carrying value of land, the write off in respect of loans from the former joint venture party and tax adjustments.

The Group incurred professional fees of £0.2m in connection with the acquisition of the business. These costs were expensed to the income statement.

Base Regeneration LLP contributed £1.9m in revenue and a loss after tax of £0.4m since acquisition on 9 May 2012. If the acquisition had been completed on the first day of the financial year, Group revenues for the period would have been £2,327.0m and Group profit after tax for the year would have been £65.6m.

22. Post balance sheet events

On 6 September 2012, the Group gave voluntary notice to cancel the £90m revolving credit facility with effect from 12 September 2012, which reduces the Group's total committed facilities and private placement notes to £1,001m. The committed facilities and private placement notes now in place provide appropriate headroom above our current forecast debt requirements.

23. Seasonality

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

24. Statutory accounts

The consolidated financial statements for the year ended 30 June 2012 have been approved by the Directors and prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and Standing Interpretations Committee ('SIC') interpretations as adopted and endorsed by the European Union ('EU').

Barratt Developments PLC's 2012 Annual Report and Accounts will be circulated to shareholders in October 2012 and will be made available on its website www.barrattdevelopments.co.uk at that point. The financial information set out herein does not constitute the Company's statutory accounts for the year ended 30 June 2012 (as defined in Sections 434 and 436 of the Companies Act 2006) but is derived from the 2012 Annual Report and Accounts and the accounts contained therein. Statutory accounts for 2012 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 14 November 2012. The auditor has reported on these accounts; their report was unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

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

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

25. Principal risks and uncertainties

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

Risk and description	Relevance to strategy/KPI's	Mitigation (including responsibility)
<p>Economic environment, including housing demand and mortgage availability</p> <p>Changes in the UK and European macroeconomic environments, including unemployment, austerity measures, flat economic growth, buyer confidence, availability of mortgage finance, the ability of purchasers to repay shared equity loans, interest rates, competitor pricing, falls in house prices or land values or a failure of the housing market to recover, 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 which, in turn, would have an adverse effect upon net operating assets and net debt (see also the liquidity, land and construction risks sections below).</p>	<p>Led by the Group Chief Executive, the Executive Committee undertakes a weekly review of key trading indicators, including reservations, sales rates, Group shared equity balances, part-exchange, visitor levels, incentives, publically available 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 Driving Profitable Sales and Commercial Action initiatives in place to seek to enhance the effectiveness and efficiency of our sales processes and keep the Group's cost base tightly controlled. Cost reduction measures are also managed via the stewardship of the Executive Committee.</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 the Group 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 funds available. The absence of appropriate headroom would limit the Group's land buying and operational capability adversely impacting upon profitability and the Group's ability to deliver shareholder value.</p>	<p>Under the stewardship of the Group Finance Director, the Group has agreed its debt refinancing which provides around £1 billion of committed facilities and private placement notes with maturity dates ranging from 2013 to 2021.</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. The Group Finance Director ensures 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> <p>The Group has a comprehensive regular forecasting process for surety bond requirements.</p> <p>The Group is in compliance with its borrowing covenants and at the date of approval of the 2012 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 2012 Annual Report and Accounts.</p>
<p>Attracting and retaining high calibre employees</p>	<p>The Group aims to attract, retain and develop a sufficiently skilled and experienced workforce in order to maintain high standards</p>	<p>The Group Human Resources Director oversees a comprehensive Human Resources programme which includes</p>

<i>Risk and description</i>	<i>Relevance to strategy/KPI's</i>	<i>Mitigation (including responsibility)</i>
Inability to recruit and/or retain employees with appropriate skill sets or sufficient numbers of such employees.	of quality and customer service. Not having employees with appropriate skills sets can lead to build delays, quality issues, reduced sales, poor customer care and reduced profitability.	apprenticeship schemes, a graduate development programme, succession planning and training schemes tailored to each discipline. These processes are embedded operationally. The Group continues to target a fully Construction Skills Certification Scheme carded and qualified operational workforce. We monitor employee turnover levels on a monthly basis and conduct exit interviews, as appropriate, to identify any areas for improvement. We benchmark our remuneration against industry competitors.
Availability of raw materials, 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 relies upon affordable supplies of building materials from multiple sources and 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. Adverse management of these suppliers and /or subcontractors could lead to build delays, cost increases and reduced profitability.	Managed by the Group Procurement Director the Group adopts a professional approach to site management and seeks to partner with its supply chain. The Group has a policy of having multiple suppliers for both labour contracts and material supplies and contingency plans should any key supplier fail.
Land purchasing Inability to secure sufficient consented land at appropriate cost and quality to provide profitable growth.	The Group needs to purchase sufficient quantities of good quality, consented land at attractive prices in order to be in a position to commence construction and enhance the Group's ability to deliver profit growth. Acquiring poor quality or mis-priced land would impact adversely upon profitability and revenue.	Under the stewardship of the Group Finance Director, 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 Group'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 regular land meetings.
Government regulation and planning policy Inability to adhere to the increasingly stringent and complex regulatory environment, including planning and technical requirements affecting the housing market and regulatory requirements more generally.	The Group's land portfolio consists of land for the short and medium term as well as strategic land. Inability to obtain suitable consents, or unforeseen delays, could impact on the number or type of homes that we are able to build. We could also be required to fund higher than anticipated levels of planning obligations, or incur additional costs to meet increased regulatory requirements. All of these would have a detrimental impact on the contribution per plot. The Group seeks to meet regulatory and planning requirements to obtain the planning permission required to develop homes and communities.	Led by the Group Chief Executive, and supported by the Director of Corporate Affairs and the Group Head of Planning, the Group consults with the Government both directly and through industry bodies to highlight potential issues and has considerable in-house technical and planning expertise devoted to complying with regulations and achieving implementable planning consents. The Group has appropriate policies and technical guidance manuals in place to assist employees to achieve regulatory compliance and the standards of business conduct expected of them.

<i>Risk and description</i>	<i>Relevance to strategy/KPI's</i>	<i>Mitigation (including responsibility)</i>
<p>Construction and new technologies</p> <p>Failure to identify and achieve key construction milestones, due to factors including the impact of adverse weather conditions, the failure to identify cost overruns promptly, design and construction defects, and exposure to environmental liabilities which could delay construction, increase costs, reduce selling prices and result in litigation and uninsured losses. Also there are risks associated with climate change and the use of new technology in the build process e.g. materials related to carbon reduction.</p>	<p>The Group builds homes and communities in Great Britain ranging from houses to large -scale flatted developments. In the event we did not do so efficiently, or new technologies result in quality issues, the Group's profitability and ability to grow the business could be impacted negatively.</p>	<p>The Group's Executive Committee oversees weekly reporting which identifies the number of properties at key stages of construction. Projected construction rates are evaluated as part of the monthly forecasting cycle. Progress with development projects (including joint ventures and consortia), including returns and cash flows, are monitored regularly by divisional management teams and the Group obtains legal and other professional advice when required. Any alternative forms of construction and building technologies and the quality of the materials used by the Group are subject to evaluation by external and internal technical experts including the NHBC, to ensure compliance with all building and other regulations.</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>
<p>Joint ventures and consortiums</p> <p>Large development projects, some of which involve joint ventures or consortium arrangements and/or commercial developments, are complex and capital intensive and changes may negatively impact upon cash flows or returns</p>	<p>Due to their scale some projects may require joint venture or consortium arrangements. Failure of a joint venture or consortium partner to perform its financial and/or operational obligations can place additional capital or operational burdens upon the Group.</p>	<p>Led by the Group Finance Director, potential joint ventures and consortium arrangements are subject to formal appraisal and appropriate external advice is obtained before such arrangements are approved. Once operational, the performance of joint ventures and consortium arrangements is subject to regular operational and financial review.</p>
<p>Health and Safety</p> <p>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 house building sector. Given the inherent risks, it is of paramount importance to the Group. Senior management and the Board review health and safety matters on a regular basis and seek to reduce injury incidence rates by implementing policies and procedures aimed at keeping staff and visitors free from injury.</p> <p>In addition to the possibly tragic impact of an accident on-site, there is potential for legal proceedings, financial penalties, reputational damage and delay to the site's progress.</p>	<p>Reporting to the General Counsel, the Group Head of Safety, Health and Environment manages a dedicated health and safety 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 Health, Safety 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 Group Head of Safety, Health and Environment.</p>
<p>Information Technology ('IT')</p> <p>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 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 regard to surveying and valuation. Adverse IT performance could cause delays in build and have an adverse impact on operational efficiency and profit.</p>	<p>Led by the Group Information Technology Director, a dedicated in-house IT team regularly monitors and maintains Group IT systems to ensure continued functionality. A fully-tested disaster recovery programme is in place.</p>

26. Directors' responsibility statements

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

The 2012 Annual Report and Accounts comply with the United Kingdom's Financial Services Authority Disclosure Rules and Transparency Rules in respect of the requirement to produce an annual financial report.

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

a) the Group and Parent Company financial statements contained in the 2012 Annual Report and Accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board, International Financial Reporting Interpretations Committee interpretations and Standing Interpretations Committee interpretations as adopted and endorsed by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and

b) the management report contained in the 2012 Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

The Directors of Barratt Developments PLC and their functions are listed below:

Robert Lawson, Chairman
Mark Clare, Group Chief Executive
Steven Boyes, Group Board Executive Director
Clive Fenton, Group Board Executive Director (resigned 5 July 2012)
David Thomas, Group Finance Director
Tessa Bamford, Non-Executive Director
Robert Davies, Senior Independent Director
Roderick MacEachrane, Non-Executive Director
Mark Rolfe, Non-Executive Director
Richard Akers, Non-Executive Director (appointed 2 April 2012)

Approved by order of the Board on 11 September 2012

M S Clare
Group Chief Executive

D F Thomas
Group Finance Director

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Company information

Registered in England and Wales. Company number 604574

The Annual Results Announcement and the presentation slides will be available on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, from 8:30am today.