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604574

Barratt Developments PLC Annual Report and Accounts for the year ended 30th June 1997. Registered in England No. 604574.

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COMPANIES HOUSE 09/12/97

CHAIRMAN'S STATEMENT



Sir Lawrie Barratt at Regent's Park, Blackburn, Lancashire. This highly-successful £21 million development is creating 279 cottage-style homes on a redundant former Ministry of Defence factory site.

After seven lean years a significant improvement finally took place in the UK housing market. This was most marked by a strengthening of demand for new houses and a welcome improvement in selling prices, albeit largely confined to London and South East England. In these more favourable conditions the Barratt Group surged forward strongly, continuing the ongoing growth.

Results for the year ended 30th June 1997:-

- Pre-tax profit amounted to £70.1m against £52.1m the previous year, an increase of 35%.
- Earnings per share amounted to 19.8p against 17.8p the previous year, an increase of 11%.
- A final dividend of 6p per share will be recommended against 5.5p the previous year, giving a total dividend for the year of 9p, an increase of 9%, 2.2 times covered.
- Turnover rose to £714m against £634m the previous year, an increase of 13%. In the UK we achieved 7,710 housing completions, an increase of 10%, at an average selling price of £87,100, an increase of 4%.
- Shareholders' funds at the year end amounted to £356m, an increase of 7%.
- Land stocks increased from 20,200 to 23,346 plots, equating to three years' supply on volume achieved.
- Net cash in hand at 30th June 1997 increased to £46m from £42m, highlighting the success of the continuing focus on cash management.
- Return on capital employed 21% - amongst the highest in the industry.

We benefited greatly from the expansion of our UK divisional network following the establishment of nine new divisions since mid-1993 when our Strategy for Growth was launched. Of great satisfaction to me is the fact that all nine new divisions operated profitably during the year, including the three most recently established divisions which did not commence trading until July 1996. The fact that six of the nine new divisions are located in Southern England enabled us to maximise on the improvement in the housing market and greatly assisted the growth in Group profit, with a substantially increased contribution from our Southern operations.

This emphasis on greatly expanding our market share in the huge Southern England market has been strongly supported by a further substantial investment in the year amounting to £123m, 59% of our total land expenditure. Indeed, it is interesting to reflect that five years ago we had only five developments in and around the M25 whereas today we have over 50.

Meantime, all our established divisions throughout the country continue to trade very successfully and profitably.

Whilst land availability with planning and in the right locations is undoubtedly an industry problem, it is not a problem in the Barratt Group where our management skills have been so successfully harnessed to continue to recycle land on an increasing scale and to be so innovative in achieving far greater land utilisation than ever before.

We invested heavily in the expansion of our land stocks during the year with a cash expenditure of over £200m and shareholders will be greatly comforted to know that our land stocks of over 23,000 plots have all been acquired under the very strict land purchase criteria laid down by our Group Chief Executive. This is best demonstrated by the fact that year end land stocks represented 21.9% of selling price against 21% at June 1996. To carry in excess of three years land stocks would not be maximising the return on our cash resources. We increased our year end land stocks by £71m, which was achieved without attracting any debt; on the contrary we increased our year end net cash in hand to £46m, which is a very clear demonstration of the stringent cost control and the cash disciplines laid down within the Group by our Chief Executive.

In our non-core activities we continued our policy of reducing investment. Our Scottish-based contracting, our commercial property and our leisure property subsidiaries all operated profitably and continue to be well-controlled. In pursuit of our policy of further reducing Group investment in non-core activities we have since the year end subsequently

sold a 50% share of our leisure property subsidiary on satisfactory terms. In California the housing market has shown some improvement during the year which assisted us in reducing further our small operating loss in the USA. We achieved a significant reduction in our investment in this subsidiary, notwithstanding a lower level of legal completions, achieving 365 against 400 the previous year.

Group trading in our new financial year since 1st July last is producing further strong expansion. This can best be highlighted by the fact that we started the new financial year with advance sales of £168m, which is almost double that of a year ago. Since 1st July last our sales intake has been extremely good and fully meets the requirements of our planned expansion. Our success with land acquisition is ongoing with the emphasis continuing on the expansion of our nine new recently established divisions and the increasing investment in Southern England.

The quality of our site locations has never been better, which can be typified by the fact that we now have 13 sites with River Thames or waterside frontage, including a £32m scheme in the heart of the City, close by St Paul's Cathedral with views over the river to the new Globe Theatre.

The improvement which has taken place in the South over the past year is beginning to spread throughout the regions and we believe it to be sustainable. However, we must not lose sight of the fact that the first Labour Government Budget in July last was damaging to house buyers and the four recent increases in base rate could well have some effect on house purchaser confidence.

Several Board changes took place during the year. Two non-executive directors, Messrs Tait and Crawley, retired from the Board on 31st December 1996 after 9 years' service. My Board colleagues join me in thanking them for their invaluable contribution to the restoration and growth of the Group. I am pleased to welcome two new non-executive directors, Mr P H Ashworth, who is the senior partner of Field Cunningham & Co., Manchester-based solicitors, and Mr B Bean, formerly the Chief Executive of the National House Building Council. Both joined the Board on 1st May 1997, bringing with them a wealth of experience in the house building industry. I would also like to extend a welcome to two new executive directors, Mr H Walker and Mr P R Gieron. Harold Walker joined the Board on 1st July 1996 and Paul Gieron on 1st July last. Both have long service with the Group and were formerly the Managing Directors of two of our most successful house building divisions.

It is over six years since I returned to the Group in July 1991 following my retirement in December 1988. The past

six years have been an exciting era in the Group's history and I have derived enormous satisfaction from assisting in firstly eliminating the many serious problems which existed and then embarking two years later on the expansion of the Group in pursuit of our Strategy for Growth. I shall be retiring again after our Annual General Meeting on 20th November. My Board colleagues have invited me to become Life President of the Group and in accepting this role I look forward to maintaining a strong interest in the future of the Group.

But it has been our Group Chief Executive, Frank Eaton, to whom great credit is due for completely transforming the Group over the past six years. Consequently, with his formidable 18 year track record of service to the Group, the Board had no hesitation whatsoever in inviting Frank Eaton to assume the position of Group Chairman and Chief Executive. This appointment is effective from my retirement on 20th November and it is the intention of Frank Eaton to appoint a Group Managing Director in the near future. I am also pleased to announce that one of our non-executive directors, Basil Bean, has accepted the invitation of the Board to assume the role of Vice Chairman, also effective from 20th November. Basil Bean has many years of experience in the industry and I am confident he will greatly assist the Group in his new role. We have a very strong and experienced team of executive directors and I am confident that under Frank Eaton's leadership the Group will have a strong and exciting future.

All the elements are in place to continue the planned expansion of the Group through to the year 2000. We have an enlarged national network extending to 22 housing divisions, backed up with our proven management team. We have strong financial resources, substantial land stocks, an outstanding range of product and an unrivalled range of service available to our buyers. I am confident that our strategy of organic expansion will underpin our long term growth and that we will not lose sight of our corporate objectives to continue to improve earnings per share and generate shareholder value. I thank all my colleagues for their supreme efforts over the past six years and wish them every success in the future.



Chairman

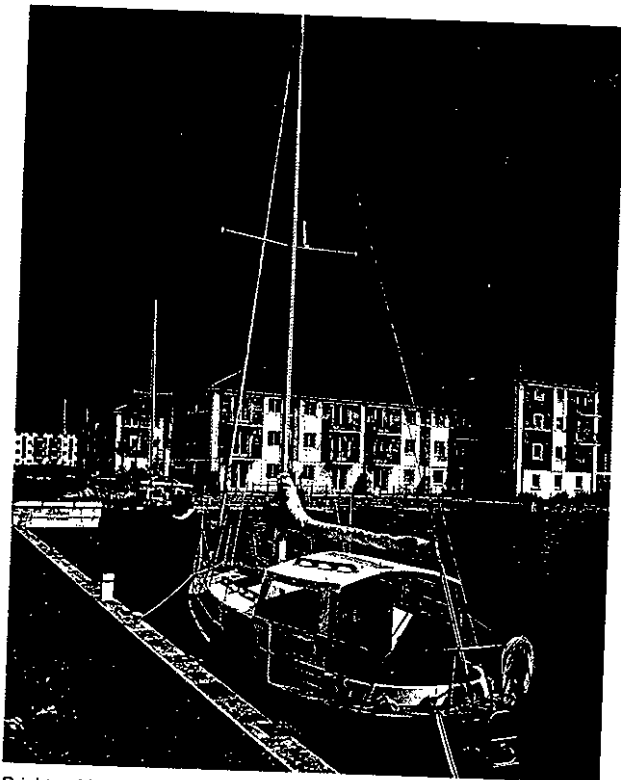
25th September 1997

GROUP CHIEF EXECUTIVE'S REVIEW

This has been a highly successful year of achievement. We have strengthened all aspects of our business and our strategic emphasis on the stronger South East housing market helped raise pre-tax profits by 35% to £70.1m and revenue by 13% to £714m. We remain fully on course to achieve our Growth Plan objectives.



Frank Eaton, Group Chief Executive, at Collingtree Park, Northampton, a flagship development of 39 luxury homes, priced up to £450,000, in a superb location bordering the British Masters championship golf course.



Brighton Marina, Sussex. Work started this year on the final phase of 400 apartments at this award-winning development and more than 100 have already been sold. The entire 700-unit development will be completed by 1999.

In March 1996 we announced the second phase of our Growth Plan, to increase UK sales from 7,000 homes to 11,000 by the year 2000, and our results for the year ended 30 June 1997 are fully in line with our planned expansion.

In our core activity, UK housing, all 22 divisions increased operating profits, producing a 24% rise to £75.1m. Profits fully benefited from increased turnover and improved margins, which rose from 11.0% to 11.7%. This improvement in the margin was attributable to a reduction in selling costs, a higher rate of sale and firm controls on overheads and building costs.

Our management emphasis on maintaining a low cost base is evidenced by our control over construction cost increases, which did not exceed 2%, and administrative overheads, which reduced from 3.4% to 3.2% of revenue, notwithstanding the establishment of nine new divisions over the last four years.

Our return on capital employed of 21% continues to be one of the highest in the industry. This has been achieved despite the significant increase in the scale of investment in the business, funded by the Rights Issue in May 1996, which will further enhance future returns.

The total Group funding position was £46m cash in hand, a £4m improvement on the previous year. This has again been achieved through stringent controls on work in progress, notwithstanding

the significant increase in the business and a £71m increase in land stocks.

UK HOUSING

The UK housing market progressively improved as purchaser confidence continued to return. All the financial statistics relevant to house purchase continued to be favourable, e.g. house price to earnings ratios and affordability indices, and interest rates, albeit modestly increased in recent months, remain reasonable compared with historic levels.



Far left: En suites are now included in most family homes in the new Barratt Premier Collection.

Left: Gardner Park, North Tyneside. Mike Norton, Chairman of Barratt Northern (right) congratulates Site Agent Alan Robson on winning a Quality Award in the National House Building Council's Pride In The Job campaign.



Cotswold Place, Belmont, Surrey. Stylish first-time buyer homes from the new Barratt Premier Collection offer traditional cottage-style exteriors and well planned interior layouts.

GROUP CHIEF EXECUTIVE'S REVIEW



Globe View-by-the-City, London EC4. An artist's impression of this £32 million project which will provide 135 apartments priced from £200,000 to £700,000. Facing the Globe Theatre across the river, this will be the largest residential development in the City since the Barbican.

All areas benefited from this market improvement, however the recovery was most evident in the South where six of our nine new divisions are located. In this stronger market we have met increased demand by using our development skills to secure more sites in sought-after locations. We now have more than 75 sites in Southern England of which over 50 are located in and around the M25.

Sales completions increased by 10% on the previous year, up from 7,025 to 7,710, and the average selling price rose from £83,800 to £87,100,

mainly attributable to the increased volume from our Southern operations.

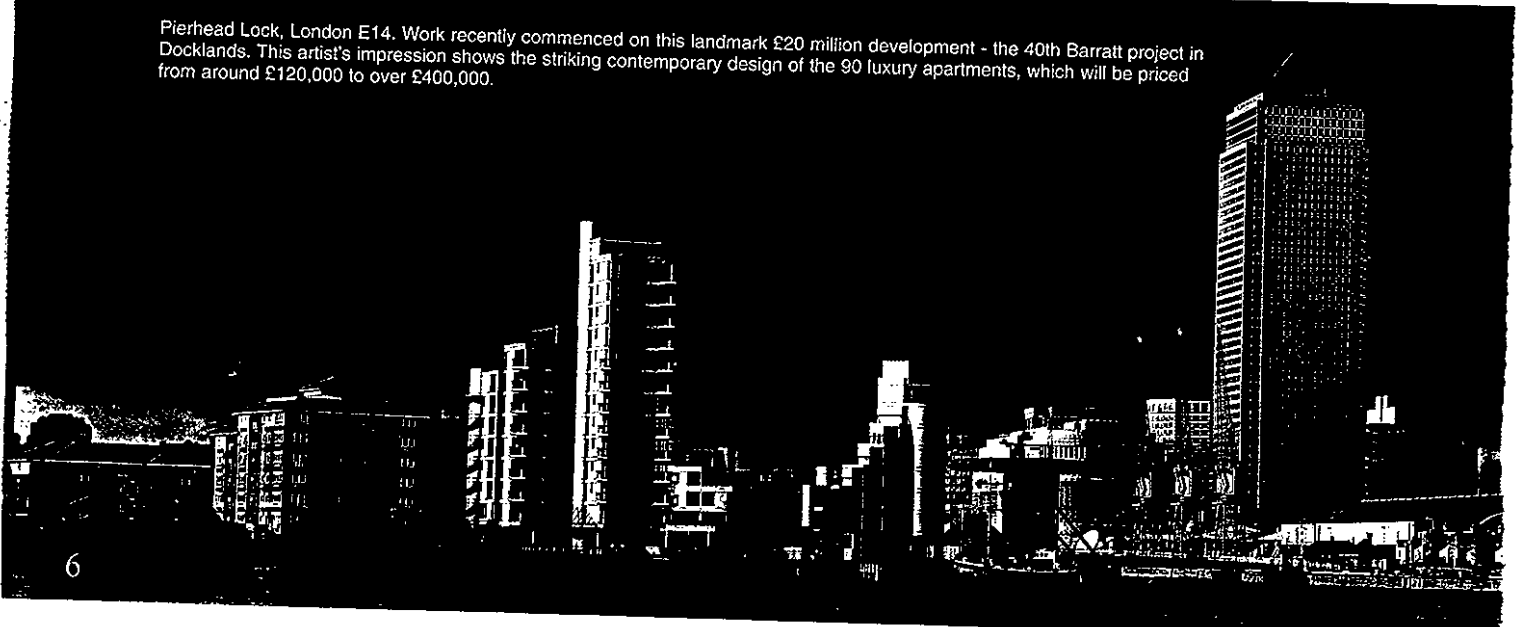
We continue to achieve one of the highest sales rates per site in the industry and during the year we completed 116 sites which were replaced by 136 new sites. At 30 June, we had 245 selling outlets and anticipate this number increasing to 260 by December 1997. At the year end, sales reservations were up 16% year on year, enabling us to end the year with record advance sales of £168m.

Our proven land acquisition skills were again a prominent feature in our performance. Despite the serious land shortages and planning delays facing the industry, our unrivalled skills in land buying again stood the Group in good stead. We have acquired quality sites in superior locations, increasing our stocks consistent with our Growth Plan objectives.

We acquired a total of 11,262 plots, 46% more than we used, which increased our total land stocks by 16% from 20,200 to 23,346. The average plot cost of our total holding is now £19,143, representing 21.9% of average selling price.

Since the Group was restructured six years ago, we have consistently demonstrated a prudent and controlled approach to land buying, which is clearly evident in our financial results. Cash expenditure on land amounted to £208m, and we again succeeded in securing a good element on deferred terms.

Pierhead Lock, London E14. Work recently commenced on this landmark £20 million development - the 40th Barratt project in Docklands. This artist's impression shows the striking contemporary design of the 90 luxury apartments, which will be priced from around £120,000 to over £400,000.



Our skills and experience in operating a part exchange service assisted sales, particularly in the less buoyant markets and 46% of our purchasers took advantage of it, with 3,567 transactions being completed. All part exchange properties are actively marketed from the moment a commitment to purchase is entered into and consequently we achieved an average resale period of 12 weeks. As a result, our part exchange holding reduced by a third, from £57m and 1,220 units to £37m and 849 units. Since the year end the number owned has further reduced to below 700, of which over 50% are sold, awaiting completion. The part exchange service continues to be an integral part of our house purchase assistance to our homebuyers.

Our strategy of offering a wide range of product operates to our advantage and our new Premier Collection house styles have undoubtedly made a major contribution to increased sales.

There are now 70 designs in the Premier Collection, ranging from studio apartments to 7 bedroom houses priced from £35,000 to £800,000. They provide what today's purchasers want - attractive elevations, combined with well designed interior layouts and features such as en suites and family "dens", at value-for-money prices. Premier Collection house styles cover all market sectors and are available nationwide on over 80% of our developments.

This new range provides us with an important competitive advantage and through our policy of continuous product development we will maintain our position at the fore of the housing market.

Our strategy of organic growth has resulted in the creation of nine new divisions over the last four years, bringing the total of UK housing divisions to 22. Throughout the country all our established divisions continued to trade successfully and profitably. However, of particular satisfaction is the fact that all nine new divisions operated profitably, including the three which did not commence trading until July 1996.



Belgrave Mansions, Hull. This stylish apartment development close to the city centre provided new 1 and 2 bedroom homes at prices from around £36,000.



Broadmead, Cove, Hampshire. Family homes from the new Barratt Premier Collection, which offers the widest choice of new housing in Britain ranging from studio apartments to 7 bedroom houses, at prices from £35,000 to £800,000.



Hong Kong. Marketing drives led by David Pretty, Chairman of Barratt Southern, have been extremely successful, attracting overseas buyers to a range of developments.

GROUP CHIEF EXECUTIVE'S REVIEW



Bronnley Mews, Brackley, Northamptonshire. Affordable shared ownership homes were provided at this market town development of 32 houses through a partnership with Bedfordshire Pilgrims Housing Association.

PARTNERSHIPS

Barratt has a long commitment to partnership housing, completing a diverse range of schemes with central government, local authorities, housing associations, lending institutions and other agencies. Projects have ranged from small rural schemes to massive inner city redevelopments of over 1,000 units, helping to meet demand throughout Britain for homes for rent, shared ownership and private sale. We have established a proven track record in partnership housing and our wealth of experience is a considerable asset to the future trading of the company.

URBAN RENEWAL

In the early 1970s Barratt was the first major housebuilder to tackle inner city problems on a large scale, since when we have continued to build on our commitment to urban renewal. We have completed a wide variety of innovative projects which have transformed old docksidcs, factories, railway yards and offices. Our long experience in recycling sites - plus our skills in overcoming technical challenges and minimising delays in the planning process - means that we are less reliant on greenfield or vacant sites than others in the industry. Sites currently being recycled in towns and cities throughout Britain include a former reservoir at Bolton, Lancashire; a large industrial area at Bristol; disused car parks in Edinburgh and Aberdeen; a Ministry of Defence depot at Stanmore, Middlesex; and redundant hospitals and schools throughout the country.

QUALITY BUILDING

We believe that customer care is vital to our continued success and our objective is to deliver a quality new home together with a quality service. Our emphasis on this aspect of the business has been recognised by numerous industry awards for customer service, housing design and standards of workmanship. During the year Barratt site



Pemberton House, London EC4. This artist's impression shows how a redundant office building (above), close to Fleet Street, is being transformed into 39 luxury apartments. This is the sixth Barratt office-to-residential conversion in London and further projects are in the pipeline.





Penarth Haven, Cardiff Bay. An artist's impression of this £9m Regency-styled development which will provide 128 waterfront homes priced from £55,000 to £120,000. Work started recently and half of the first sales release was immediately sold ahead of construction.

management teams once again earned recognition by winning 28 Quality Awards in the National House Building Council's Pride In The Job campaign - significantly more than our market share. These awards provide independent endorsement of the high standards of construction skill throughout the Group.

MARKETING

Barratt marketing skills are recognised throughout the industry. During the year we continued to selectively provide innovative purchase plans appropriate to prevailing regional market conditions. Additionally long-established schemes, such as our renowned Home Exchange Service and £250 Down and Move In scheme, were instrumental in assisting homebuyers in achieving a fast and efficient move. Our product and service package sets us apart from others in the industry as does our practice of advertising via high profile media. National advertising campaigns, supported by local advertising, combine to provide a cost effective means of communication, creating a high level of awareness among homebuyers.

CONTRACTING

Barratt Construction is the Group's general building and civil engineering subsidiary. It is a multi-disciplined contractor offering a complete

construction service in the North East of Scotland. The subsidiary has an experienced design and build team and is recognised for its high standards and efficient service, completing contracts on time and within budget. It has completed a diverse range of projects including sports and leisure facilities, offices, factories and retail centres, plus housebuilding schemes for a variety of clients including universities and housing associations. As part of the Group's Growth Plan, Barratt Construction has become increasingly involved in private housebuilding and is already successfully operating on seven developments, with more in the pipeline.



Harold Walker, Chairman of Barratt Central, at Holland House Farm, Walton le Dale, Lancashire, a fast-selling development north of Manchester which is creating 186 homes priced from around £50,000 to over £110,000.

GROUP CHIEF EXECUTIVE'S REVIEW

COMMERCIAL PROPERTY

Barratt Commercial has operated successfully within the commercial property field for more than 30 years. The subsidiary continues to be well managed and again produced an operating profit, after effecting further disposals in the year. The remaining commercial property portfolio at the year end had a book value of £4.4m which was virtually fully let.

LEISURE

Barratt International Resorts again operated profitably. The subsidiary has nine leisure resorts in



Leila Playa, Southern Spain. One of three leisure resorts on the Mediterranean coastline, close to Marbella, which offer high quality accommodation and superb year-round recreational facilities.

Right: Riviera, Chino Hills, San Bernardino County, Southern California. Stylish architecture and high specifications are in demand at this fast-selling development of 65 homes priced from \$249,000 to \$280,000.

Below: Paul Gieron, Chairman of Barratt West, presents Sales Negotiator Emma Nutt with an achievement award at Knightwood Lodge, Chandler's Ford, Hampshire.



the UK and Spain, offering timeshare weeks for sale and holiday rentals. Each resort offers high-quality accommodation and year-round amenities. Since the year end, we have concluded a sale of 50% of the share capital of the company for a consideration of £3m cash, equating to the share of the net assets sold. The purchaser, Macdonald Hotels plc, has been managing the business for the last six years and we anticipate profits to continue to improve, adding value to our remaining interest.

USA HOUSING

Market conditions in the better areas of Southern California progressively improved throughout 1996/97 and in these areas, where our more recent developments are located, our sales have likewise improved. However, in outlying areas, where our older sites are located, the market continues to be difficult. All the indications are that the improving market will be sustainable, however, our strategy continues to be one of limiting the scale of our activity whilst trading through older developments and releasing our investment. In the year, we again reduced our investment in land and work in progress by £10m to £44m. Completions totalled 365 against 400.



Sir Lawrie Barratt is congratulated after being voted "Construction Industry Personality of the Year" in the 1997 Building Awards.



CONCLUSION

To conclude, the outlook for Barratt is extremely positive. Our sales reservations at the year end were up 16% on the previous year and sales since July have been extremely good, fully meeting our projected growth.

We are confident that we will continue to increase market share through our superior product and service, our success in securing a well-located land bank and the strength of our network of 22 housebuilding divisions.

We fully recognise the continuing strength of the Southern market and 9 of our 22 divisions are based in the South, which will ensure we secure a significant share of this important market.

We have the necessary management experience and skills. Cost increases are being fully contained. We have stringent controls on stock and work in progress and are prudent in land acquisition, thereby enabling low levels of borrowing and gearing to be maintained.

I am confident we will continue the sound progress we have made in recent years and we remain fully on course to achieve our planned volume and growth.

Finally, I would like to pay tribute to Sir Lawrie, who retires on 20th November, for his remarkable contribution and tremendous support. It has been a privilege for me to have worked closely alongside him over the last 18 years. I have benefited enormously from his wealth of experience, his clear focus and his enthusiasm. Sir Lawrie's achievements speak for themselves and on behalf of all my colleagues I thank him for everything he has done for the Barratt Group over the past 40 years.

Frank Eaton
Group Chief Executive

25th September 1997

DIRECTORS AND PROFESSIONAL ADVISERS

Directors

Sir Lawrence Barratt *†‡§ <i>Chairman</i>	F Eaton § <i>Chief Executive</i>	P H Ashworth *†‡§
B Bean CBE *†‡§	C A Dearlove	P R Gieron
M Norton	D A Pretty	H Walker

* Non-executive † Member of the Remuneration Committee ‡ Member of the Audit Committee § Member of the Nomination Committee

Non-Executive Directors

Sir Lawrence Barratt, 69, founded the first Barratt company in 1958. After more than 30 years service he retired as Chairman and Chief Executive of Barratt Developments PLC in December 1988, when he became Life President. He returned to the role of Executive Chairman in July 1991, stepping down from executive duties on 31st July 1994 to assume the position of Non-Executive Chairman.

Mr P H Ashworth, 59, was appointed a non-executive director on 1st May 1997. He is the senior partner in the firm of solicitors, Field Cunningham & Co.

Mr B Bean CBE, 66, was appointed a non-executive director on 1st May 1997. He has held positions as Chief Executive of two Government Development Corporations and as a Member of the British Waterways Board. He is a former Chairman of Admiral Homes Limited and for a period of ten years was Chief Executive of the National House Building Council, retiring in April 1997.

Executive Directors

F Eaton, 47, joined the Group in 1979. He was managing director of Barratt Manchester until his appointment to the Main Board in 1988 as Chairman of the Central Region. He has been Group Chief Executive since July 1991.

C A Dearlove, 45, joined the Group finance department in 1981. He was appointed to the Main Board as Group Finance Director in 1992.

P R Gieron, 43, joined the Group in 1980. Formerly the managing director of Barratt Bristol, he was appointed to the Main Board on 1st July 1997 and is Chairman of the West Region.

M Norton, 56, was appointed managing director of Barratt Bristol in 1977. He was appointed to the Main Board in 1983 and is Chairman of the Northern Region.

D A Pretty, 52, initially joined the Group in 1976 and was formerly the managing director of Barratt Central London. He left the Group in 1987 to take up a position as managing director of St George PLC. He rejoined the Group and was appointed to the Main Board in 1990. In 1991 he became Chairman of the Southern Region.

H Walker, 51, joined the Group in 1977 and was managing director of Barratt Manchester from 1988 until his appointment to the Main Board on 1st July 1996. He is Chairman of the Central Region.

Secretary

F Brown

Registrar

I R G PLC
Balfour House
390/398 High Road
Ilford
IG1 1NQ

Registered Auditors

Coopers & Lybrand

Solicitors

Slaughter and May

Brokers

Cazenove & Co
NatWest Securities Limited

Merchant Bankers

S B C Warburg

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the thirty-ninth annual general meeting of the company will be held at the Plaisterers Hall, 1 London Wall, London, EC2Y 5JU on 20th November 1997 at 2.30pm for the following purposes:

ORDINARY BUSINESS – RESOLUTIONS

1. To receive and adopt the directors' report and accounts for the year ended 30th June 1997.
2. To declare a dividend.
3. To re-elect directors: Mr P H Ashworth, Mr B Bean and Mr P R Gieron who retire at the first annual general meeting following their appointment, and Mr D A Pretty who retires by rotation.
4. To re-appoint Coopers & Lybrand, the retiring auditors, and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS – RESOLUTIONS

To consider and, if thought fit, pass the following resolutions of which resolution 5 will be proposed as an ordinary resolution and resolution 6 will be proposed as a special resolution.

5. To generally and unconditionally authorise the board to exercise all powers of the company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £6,795,651 provided that this authority shall expire on the date of the next annual general meeting after the passing of this resolution save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
6. That, subject to the passing of resolution 5 above, the board be, and it is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by resolution 5 above as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that this power shall be limited:
 - (a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them provided that the directors may make such arrangements in respect of overseas holders of shares and in respect of fractional entitlements as they consider necessary or convenient; and
 - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £1,160,217 being 5% of the nominal value of the existing issued share capital and shall expire on the date of the next annual general meeting of the company after the passing of this resolution save that the company may before such expiry make an offer or agreement which would, or might, require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Registered Office
Wingrove House
Ponteland Road
Newcastle upon Tyne NE5 3DP



By order of the board
F Brown,
Secretary
24th October 1997

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of the member. A proxy need not be a member of the company.

Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, only those shareholders registered at 5.00pm on 18th November 1997 will be entitled to attend and vote at the meeting in respect of the numbers of shares registered in their names at that time. Subsequent changes to the register will be disregarded in determining the rights of any person to attend and vote at the meeting.

Copies of contracts of service of the directors with the company will be available for inspection at the registered office, during business hours, from the date of this notice until the date of the annual general meeting, and on that day they will be available for inspection at the place of the meeting from 2.15pm until the conclusion of the meeting.

DIRECTORS' REPORT

The directors submit their report and the accounts for the year ended 30th June 1997.

ACTIVITIES OF THE GROUP

The group's principal activity continues to be building and development. A full review of the group's performance and prospects can be found in the Chairman's Statement on pages 2 and 3, and in the Group Chief Executive's Review on pages 4 to 11.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 30th June 1997 was £45.9m (1996 £35.6m). An interim dividend of 3.0p per share (1996 2.75p) was paid on 23rd May 1997 and it is proposed to pay a final dividend of 6.0p per share (1996 5.5p) on 21st November 1997 to shareholders on the register at the close of business on 10th October 1997.

The dividends paid and proposed amount to £20.9m (1996 £17.8m).

ANNUAL GENERAL MEETING

The notice of the annual general meeting on page 13 contains two resolutions to be submitted as special business.

The two resolutions (numbers 5 and 6 respectively) request shareholder approval to renew for one year the directors' authority to allot unissued shares in the capital of the company and to authorise the directors to allot shares for cash up to a limit equal to 5% of the issued share capital without initially offering such shares to existing shareholders.

DIRECTORS AND THEIR SHAREHOLDINGS

The current directors of the company are listed on page 12. Mr P H Ashworth and Mr B Bean were appointed directors on 1st May 1997, Mr P R Gieron was appointed a director on 1st July 1997; all other directors listed on page 12 held office throughout the financial year. Mr A W Tait and Mr F W Crawley, who were directors of the company on 1st July 1996, resigned as directors on 31st December 1996.

The beneficial interests of the directors and their families in the ordinary share capital of the company are shown below:

Ordinary shares of 10p each	30th June 1997		1st July 1996 or later appointment	
	Fully paid	Executive share option scheme	Fully paid	Executive share option scheme
Sir Lawrence Barratt	1,792,172	316,590	1,542,172	300,000
F Eaton	408,202	434,353	398,202	415,000
P H Ashworth	-	-	-	-
B Bean	-	-	-	-
C A Dearlove	13,982	276,060	13,982	265,000
M Norton	172,491	276,060	172,491	265,000
D A Pretty	24,398	276,060	18,148	265,000
H Walker	205,676	143,315	205,676	140,000

On 1st July 1997, Mr P R Gieron held interests in 46,734 fully paid shares of 10p each and 76,381 shares of 10p each in the executive share option scheme.

In addition to the above, Sir Lawrence Barratt has a non-beneficial interest in 135,000 fully paid ordinary shares of 10p each at 30th June 1997 (1996: 125,000).

Details of movements in the directors' interests in the executive share option scheme are shown in the Remuneration Committee Report on page 18.

On 25th September 1997, Mr H Walker exercised options over 36,934 fully paid ordinary shares of 10p each held under the company's executive share option scheme. No other notification has been received of any change in the above interests during the period 30th June 1997 to 30th September 1997.

DIRECTORS' REPORT

Under the provisions of Article 77 of the company's memorandum and articles of association, Mr P H Ashworth, Mr B Bean and Mr P R Gieron offer themselves for re-election. Mr D A Pretty retires in accordance with the provisions of Article 81 and offers himself for re-election.

Other than the transactions detailed in note 25 to the accounts, none of the directors had a material interest in a contract of significance in relation to the business of the group, during or at the end of the year.

DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30th June 1997. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CORPORATE GOVERNANCE

The company's system of corporate governance, which is summarised below, complied throughout the financial year with the Code of Best Practice on the Financial Aspects of Corporate Governance, with the exception, for a short period, of clauses 1.3 and 4.3 relating to the number of non-executive directors. The period of four months between appointments of non-executive directors was attributable to prior business commitments.

The board of directors, now comprising six executive and three non-executive directors, meets regularly throughout the year. The board is responsible for overall group strategy, acquisition and divestment policy, and consideration of significant financing matters. It reviews the strategic direction of the group, its annual budgets and progress towards achievement of those budgets. The board has a formal schedule of matters specifically reserved to them for decision.

The board has established three standing committees. Each committee operates within defined terms of reference. The principal committees are the Audit Committee and the Remuneration Committee. The Nomination Committee chaired by Sir Lawrence Barratt deals with appointments and promotions to main board positions. Trading companies and divisions are managed by separate boards of directors chaired by a main board director.

The Audit Committee consists of the three non-executive directors and is chaired by Mr B Bean. It meets regularly and monitors the adequacy of the group's internal controls, accounting policies and financial reporting. It also provides a forum through which the group's external audit, finance and internal audit functions may report to the non-executive directors. Meetings of the Audit Committee with the external auditors are held in private.

The Remuneration Committee reviews the terms and conditions of the executive directors. It is chaired by Mr P H Ashworth and its members are the non-executive directors.

The board of directors is required to consider whether the company and group is a going concern. Accordingly the board has made appropriate enquiries and is satisfied that the company and group have adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing the accounts.

The directors are responsible for the group's system of internal financial control which is designed to provide a reasonable but not absolute assurance against misstatement or loss. The key procedures in the established framework are:

1. Each operating division has a board of directors who meet formally each month chaired by a main board director.
2. There is a comprehensive budgeting, reporting and forecasting system which requires monthly reporting of results and forecasts of all operating divisions with comparisons to budget.
3. Operational procedures are embodied in the Group Chief Executive's Group Policy Instructions issued to all divisions. Financial controls and procedures including information systems are detailed in Accounting and Systems manuals.
4. All systems are monitored by the internal audit functions including financial, marketing and construction related matters.
5. The risks facing the business are assessed on an ongoing basis and all key areas, including finance, land buying and the market are reported to the board each month.

The directors have reviewed the operation and effectiveness of the group's system of internal controls for the year ended 30th June 1997.

DIRECTORS' REPORT

EMPLOYEES

The directors recognise the importance of good communication, consultation and relations with employees. The group is structured on a decentralised basis and the management of each subsidiary implements group policies in relation thereto as determined by the main board.

It is group policy to give fair consideration to the employment needs of disabled people and to comply with current legislation with regard to disabled persons.

STATUTORY INFORMATION

At 30th September 1997 notification had been received of the following interests which exceed a 3% interest in the issued share capital of the company.

	Date of notification	Ordinary shares of 10p each	% of issued share capital
F M R Corp	03.01.97	18,346,172	7.91%
General Accident	21.08.97	11,504,881	4.96%
Standard Life	12.06.97	9,028,892	3.89%

Investment Management clients of companies within the Mercury Asset Management Group are interested in aggregate, in 21,170,242 ordinary shares, representing 9.13% of the issued share capital and Schroder Investment Management Limited has a non-beneficial interest in 10,786,268 ordinary shares representing 4.65% of the issued share capital.

The company is not a close company under the provisions of the Income and Corporation Taxes Act 1988.

No charitable donations were made during the year. No political contributions were made during the year.

CREDITOR PAYMENTS

Each group company is responsible for agreeing the detail of terms and conditions relating to transactions with its suppliers. It is group policy to abide by the agreed terms of payment with suppliers where the goods and services have been supplied in accordance with the relevant terms and conditions of contract. Implementation of this policy resulted in a supplier payment period for the company of 37 days for its trade creditors at 30th June 1997.

ENVIRONMENTAL POLICY

The group recognises its responsibilities to assess and minimise the impact of its business on the environment and, wherever possible, to restore and enhance the environment.

Environmental concerns are fully considered when planning and building our developments. It is our policy and practice to specifically address environmental issues in all land feasibility reports to ensure any concerns are highlighted at the earliest opportunity so that appropriate measures can be built into the development programme, in line with best practice, to avoid or minimise any adverse environmental impact.

Although these policies apply to all developments, they are even more positively pursued in relation to developments which have had a former use. Barratt has been and continues to be the industry leader in the recovery and revitalisation of this land, with the consequent benefits to both the environment and to local communities.

AUDITORS

In accordance with Section 384 of the Companies Act 1985 a resolution proposing the reappointment of Coopers & Lybrand as auditors to the company will be put to the annual general meeting.

On behalf of the board
F Brown, Secretary
Newcastle upon Tyne

16th October 1997

REMUNERATION COMMITTEE REPORT

The members of the Committee, who are all non-executive directors, are as follows:-

P H Ashworth Chairman
 Sir Lawrence Barratt
 B Bean

In framing its policy the Committee has complied throughout the year with the requirements of Section A of the Best Practice Provisions of the Stock Exchange Listing Rules regarding remuneration committees and has given full consideration to Section B of those provisions regarding remuneration policy, service contracts and compensation payments.

The policy is to ensure that remuneration packages are sufficient to attract, motivate and retain executive directors of a high calibre. Account is taken of the group's performance compared with other companies in the construction sector, and of total remuneration packages in those companies and the total remuneration packages of the executive directors are comparable.

The basic salary for each executive director is determined taking into account the results achieved by the group, with reviews being undertaken on an annual basis. Performance related payments are made, in addition, which vary according to the extent to which group pre-tax profit levels exceed £20.0m.

The group's Executive Share Option Scheme expired on its 10th anniversary in December 1996. The Committee approved the grant of share options to executive directors under the Scheme, taking into account individual performance and the overall performance of the group. Options are normally exercisable between 3 and 10 years from the date of grant. The non-executive directors did not participate in the Scheme. It is proposed that a replacement Executive Share Option Plan be adopted by the company subject to shareholder approval at the extraordinary general meeting on 20th November 1997.

Sir Lawrence Barratt and the executive directors receive taxable benefits in kind covering the provision of a motor vehicle, private medical insurance and some telephone costs.

In February 1997 at the company's request, three executive directors with long service to the group agreed, with no compensation, to reduce the notice period to be given on termination of their employment by the company from two years to one year. All executive directors now have one year rolling contracts. There are no specific provisions for compensation on early termination.

The executive directors being proposed for re-election at the forthcoming annual general meeting, Messrs Gieron and Pretty, have service contracts requiring 12 months notice to determine.

The non-executive directors being proposed for re-election at the forthcoming annual general meeting, Messrs Ashworth and Bean have terms of appointment for one year expiring on 30th April 1998. In July 1997 Sir Lawrence Barratt's three year term of appointment expiring on 31st July 1997 was extended to expire on 20th November 1997. Their remuneration is established by a committee consisting of the executive directors.

All executive directors are members of the group's contributory pension scheme which entitles them, with the exception of D A Pretty, to a pension on retirement of two thirds of final pensionable salary after 40 years membership. D A Pretty's entitlement is restricted to the Inland Revenue's net relevant earnings cap. They are also eligible for dependants' pension and insured lump sums on death in service. Performance related pay has always been and continues to be an integral part of pensionable salary to provide competitive and appropriate remuneration for directors. The final pension is calculated from the highest yearly average pensionable salary over three consecutive years during the last ten years of service. Benefits in kind are not pensionable.

The company pays a premium into a Personal Pension Plan for Sir Lawrence Barratt. In the year to 30th June 1997 this amounted to £33,060 in recognition of which Sir Lawrence Barratt has entered into a salary sacrifice arrangement foregoing salary of £24,664.

DIRECTORS' EMOLUMENTS

	1997					1996		1996 Total £000	
	Salary/ Fee £000	Performance Related £000	Benefits £000	Sub Total £000	Pension Cont. £000	1997 Total £000	Remun- eration £000		1996 Pension Cont. £000
Sir Lawrence Barratt*†	143	40	15	198	33	231	178	32	210
F Eaton§	270	77	7	354	15	369	320	13	333
P H Ashworth*	4	-	-	4	-	4	-	-	-
B Bean*	4	-	-	4	-	4	-	-	-
C A Dearlove	165	60	12	237	9	246	208	8	216
M Norton	178	68	12	258	10	268	237	10	247
D A Pretty	178	60	10	248	8	256	218	8	226
H Walker	178	60	8	246	9	255	-	-	-
F W Crawley*	12	-	-	12	-	12	23	-	23
A W Tait*	15	-	-	15	-	15	29	-	29
Total	1,147	365	64	1,576	84	1,660	1,213	71	1,284

* Non-executive † Chairman § Highest paid director

The highest paid director had an accrued pension of £80,940 at 30th June 1997 (1996 £69,501) and during the year ended 30th June 1997 made gains on the exercise of share options of nil (1996 £496,000).

REMUNERATION COMMITTEE REPORT

DIRECTORS' SHARE OPTIONS

	At 30.06.96	Rights Issue Adjustment	At 30.06.97	Average Exercise Price p	Earliest Exercise	Latest Expiry
Sir Lawrence Barratt	100,000	5,530	105,530	63p	15.10.95	14.10.02
	200,000	11,060	211,060	180p	28.09.96	27.09.03
F Eaton	200,000	11,060	211,060	180p	28.09.96	27.09.03
	150,000	8,293	158,293	171p	27.09.97	26.09.04
	65,000	–	65,000	271p	26.04.99	25.04.06
C A Dearlove	100,000	5,530	105,530	180p	28.09.96	27.09.03
	100,000	5,530	105,530	171p	27.09.97	26.09.04
	65,000	–	65,000	271p	26.04.99	25.04.06
M Norton	100,000	5,530	105,530	180p	28.09.96	27.09.03
	100,000	5,530	105,530	171p	27.09.97	26.09.04
	65,000	–	65,000	271p	26.04.99	25.04.06
D A Pretty	100,000	5,530	105,530	180p	28.09.96	27.09.03
	100,000	5,530	105,530	171p	27.09.97	26.09.04
	65,000	–	65,000	271p	26.04.99	25.04.06
H Walker	35,000	1,934	36,934	213p	08.10.90	07.10.97
	25,000	1,381	26,381	171p	27.09.97	26.09.04
	80,000	–	80,000	271p	26.04.99	25.04.06

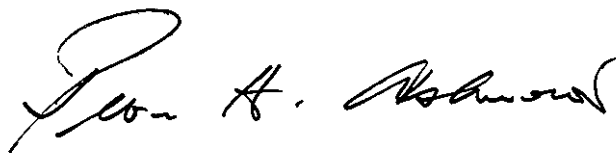
Following the rights issue made in the year ended 30th June 1996, qualifying options outstanding at the date of issue were adjusted on 23rd July 1996 under the rules of the Executive Share Option Scheme.

No options of directors in office at 30th June 1997 lapsed unexercised during the year.

On his appointment on 1st July 1997, Mr P R Gieron held options over 76,381 shares with an average exercise price of 236p. The earliest exercise date of the options was 27th September 1997, with the latest expiry date being 25th April 2006.

On 25th September 1997, Mr H Walker exercised options over 36,934 shares. There were no other changes in the interests of the directors shown above between 1st July 1997 and the date of this report.

The mid-market share price of the company was 262.0p on 1st July 1996 and 246.0p as at 30th June 1997. The mid-market high and low share prices of the company during the year were 290.5p and 226.5p respectively.



P H Ashworth
Chairman
Remuneration Committee
16th October 1997

AUDITORS' REPORTS

AUDITORS' REPORT ON CORPORATE GOVERNANCE

To Barratt Developments PLC

In addition to our audit of the accounts, we have reviewed the directors' statement on page 15 concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

Basis of opinion

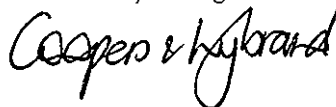
We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the group's system of internal financial control or its corporate governance procedures, nor on the ability of the company and group to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and going concern on page 15, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 15 appropriately reflects the company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Coopers & Lybrand
Chartered Accountants
Newcastle upon Tyne



16th October 1997

AUDITORS' REPORT

To the members of Barratt Developments PLC

We have audited the accounts on pages 20 to 32.

Respective responsibilities of directors and auditors

As described on page 15 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 30th June 1997 and of the profit, total recognised gains, and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Newcastle upon Tyne



16th October 1997

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 30th June 1997

	Note	1997 £m	1996 £m
TURNOVER		714.4	634.3
OPERATING PROFIT	1	72.9	58.7
SHARE OF PROFITS OF ASSOCIATED UNDERTAKINGS	11	-	0.1
PROFIT BEFORE INTEREST AND TAXATION		72.9	58.8
INTEREST PAYABLE	4	(2.8)	(6.7)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	70.1	52.1
TAXATION	5	(24.2)	(16.5)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	6	45.9	35.6
DIVIDENDS	7	(20.9)	(17.8)
RETAINED PROFIT	18	25.0	17.8
EARNINGS PER SHARE	9	19.8p	17.8p

All activities of the group are continuing.

There is no difference between profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 30th June 1997

	1997 £m	1996 £m
Profit on ordinary activities after taxation	45.9	35.6
Currency translation differences on foreign currency net investments	(0.8)	0.3
Total gains and losses recognised since last annual report	45.1	35.9

GROUP BALANCE SHEET
at 30th June 1997

	Note	1997 £m	1996 £m
FIXED ASSETS			
Tangible assets	10	8.9	6.2
Investment in associated undertakings	11	0.3	1.0
		9.2	7.2
CURRENT ASSETS			
Properties held for sale		5.6	6.9
Stocks	12	539.9	481.6
Debtors due within one year	13	19.7	22.5
Debtors due after more than one year	13	7.5	7.4
Bank and cash		74.2	81.3
		646.9	599.7
CURRENT LIABILITIES			
Creditors due within one year	14	251.8	233.6
NET CURRENT ASSETS		395.1	366.1
TOTAL ASSETS LESS CURRENT LIABILITIES		404.3	373.3
CREDITORS DUE AFTER MORE THAN ONE YEAR	15	46.9	41.3
PROVISIONS FOR LIABILITIES AND CHARGES	16	1.0	-
NET ASSETS		356.4	332.0
CAPITAL AND RESERVES			
Called up share capital	17	23.2	23.2
Share premium	18	174.4	174.2
Profit retained	18	158.8	134.6
EQUITY SHAREHOLDERS' FUNDS		356.4	332.0

Approved by the board on 16th October 1997

Sir Lawrence Barratt }
C A Dearlove } Directors

The image shows two handwritten signatures in black ink. The top signature is a cursive signature that appears to be 'Lawrence Barratt'. The bottom signature is a cursive signature that appears to be 'C. A. Dearlove'. Both signatures are written over a horizontal line.

GROUP CASH FLOW STATEMENT
for the year ended 30th June 1997

	Note	1997 £m	1996 £m
CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES	20	42.6	26.3
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3.2	1.1
Interest paid		(4.6)	(8.0)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(1.4)	(6.9)
TAXATION		(18.3)	(12.6)
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(3.1)	(0.5)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(3.1)	(0.5)
ACQUISITIONS AND DISPOSALS			
Sale of investments in associated undertakings		0.9	-
NET CASH INFLOW FROM ACQUISITIONS AND DISPOSALS		0.9	-
EQUITY DIVIDENDS PAID		(19.7)	(14.2)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		1.0	(7.9)
FINANCING			
Issue of ordinary share capital		0.2	92.1
Decrease in debt due within one year		(9.2)	(47.0)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING		(9.0)	45.1
(DECREASE)/INCREASE IN CASH IN THE YEAR		(8.0)	37.2
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
		1997 £m	1996 £m
(Decrease)/increase in cash in the year		(8.0)	37.2
Cash flow from decrease in debt		9.2	47.0
Change in net funds resulting from cash flows		1.2	84.2
Exchange movements		2.6	(0.9)
Movement in net funds in the year		3.8	83.3
Net funds/(debt) at beginning of year		42.0	(41.3)
Net funds at end of year		45.8	42.0

ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are:

- (a) **Basis of accounting**
The group prepares its accounts on an historical cost basis.
- (b) **Consolidation**
The group accounts include the results of the holding company and all its subsidiary undertakings made up to 30th June 1997. They also include the group's share of the results of associated undertakings.
- (c) **Turnover**
Turnover comprises the total proceeds of building and development on legal completion and the value of work executed on long-term contracts during the year excluding inter-company transactions and value added tax. The sale proceeds of part exchange houses are not included in turnover.
- (d) **Properties held for sale**
Properties held for sale, comprising properties previously held for investment, are stated at the lower of cost and net realisable value.
- (e) **Stocks**
Stocks and work in progress, excluding long term contracting work in progress, are valued at the lower of cost and net realisable value.
Profit on contracting is taken on short term contracts when completed, and for long term contracts attributable profit is taken when the final outcome can be foreseen with reasonable certainty; provision is made for any anticipated losses. Amounts by which turnover in respect of long term contracts exceed payments on account are held in debtors as amounts recoverable on contracts. Amounts received in respect of long term contracts, in excess of amounts reflected in turnover, are held in creditors as payments on account.
- (f) **Depreciation**
Freehold properties are not depreciated as it is policy to maintain them to such a standard that the estimated residual value, based on prices prevailing at the time of acquisition or subsequent directors' valuation, is not less than book value. Any permanent diminution in the value of such properties is charged to the profit and loss account. Plant is depreciated on a straight line basis over its expected useful life which ranges from one to seven years.
- (g) **Leased assets**
Operating lease rentals are charged to the profit and loss account in equal instalments over the life of the lease.
- (h) **Exchange translations**
The assets and liabilities of overseas subsidiaries are translated at the rate of exchange ruling at the year end and the results are translated at an average rate for the year. Gains and losses arising from translation are transferred to reserves and are reported in the statement of total recognised gains and losses. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.
- (i) **Deferred taxation**
Provision is made under the liability method for those liabilities that are expected to arise in the foreseeable future.
- (j) **Pensions**
The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The effects of variations from regular cost arising from actuarial valuations of the pension scheme are spread over the expected average remaining service lives of the members of the scheme. The difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

NOTES TO THE ACCOUNTS

1. OPERATING PROFIT

	1997 £m	1996 £m
Turnover	714.4	634.3
Cost of sales	619.0	554.2
Gross profit	95.4	80.1
Administrative expenses	22.5	21.4
	72.9	58.7

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £m	1996 £m
After charging:		
Directors' remuneration – emoluments (see page 17)	1.7	1.3
Depreciation – tangible owned fixed assets	0.4	0.4
Operating lease charges – hire of plant, machinery and vehicles	5.5	5.1
– other	1.1	1.2
Auditors' remuneration – audit services (company: £2,250 – (1996 £2,250))	0.1	0.1
<p>Auditors' remuneration for non-audit services in the year amounted to £73,000 (company: £67,000), (1996 £210,000 (company: £186,000)). Of the amounts charged to the profit and loss account, £68,000 (1996 £119,000) related to work on taxation issues, the balance being incurred on litigation matters.</p>		

3. ANALYSIS BY GEOGRAPHICAL AREA

	United Kingdom		USA		Total	
	1997 £m	1996 £m	1997 £m	1996 £m	1997 £m	1996 £m
Turnover by origin	670.2	585.3	44.2	49.0	714.4	634.3
Profit/(loss) before interest and tax	74.9	62.3	(2.0)	(3.5)	72.9	58.8
Net assets	338.3	313.5	18.1	18.5	356.4	332.0

There is no material difference between turnover by origin and turnover by destination. In the opinion of the directors the activities of the group fall into one class of business, that of building and development.

4. INTEREST PAYABLE

	1997 £m	1996 £m
Payable: On bank loans, bills and overdrafts	4.3	8.2
Less: Receivable	1.5	1.5
	2.8	6.7

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1997 £m	1996 £m
UK corporation tax at a rate of 32.5% (1996 33%):		
Current	26.1	20.7
Over provision in respect of previous years:		
Current	(1.9)	(4.2)
	24.2	16.5

At 30th June 1997 there are unabsorbed tax losses of £41.2m (1996 £35.2m) available to set off against future trading profits of the US subsidiary undertaking with a further £5.9m (1996 £8.5m) unrealised tax losses which may be claimed as certain US subsidiary undertaking developments are progressed.

NOTES TO THE ACCOUNTS

6. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

	1997 £m	1996 £m
The profit attributable to shareholders is dealt with in the accounts of:		
The company	21.0	13.9
Subsidiary undertakings	24.9	21.6
Associated undertakings	-	0.1
	45.9	35.6

In accordance with the provisions of the Companies Act 1985 a separate profit and loss account for the company is not presented.

7. DIVIDENDS

	1997 £m	1996 £m
Interim 3.0p per share paid (1996 2.75p)	7.0	5.1
Final 6.0p per share proposed (1996 5.5p)	13.9	12.7
	20.9	17.8

8. EMPLOYEES

	1997 £m	1996 £m
The average number of persons employed by the group in building and development, excluding sub-contractors, was 2,675 (1996 2,500).		
Employee costs (including directors) comprise:		
Wages and salaries	47.4	40.5
Social security	4.3	3.9
Pension costs	1.1	1.0
	52.8	45.4

The group operates throughout the UK a defined benefit final salary pension scheme, the assets of which are held in a separate trustee administered fund.

The pension cost has been assessed in accordance with the advice of a qualified actuary using the projected unit method in a review of the scheme as at 1st December 1996. The main long term actuarial assumptions were that the investment return would be 2% per annum above annual salary growth. The market value of the assets of the scheme on 1st December 1996 was £50.4m. The actuarial value of these assets represented 124% of the value of the benefits for service to the date of the valuation allowing for future salary increases.

In deriving the pension cost, the surplus in the scheme is being spread as fixed amounts over the future working lifetime of the existing members. For the purpose of funding the scheme, the surplus is spread over a shorter period as a level percentage of members' salaries.

The total UK employer contribution in respect of the year ended 30th June 1997 amounted to £1,092,000 (1996 £957,000), while the amount charged to the profit and loss account was £804,000 (1996 £1,230,000). This reduced the balance sheet accrual of £501,500 at the year ended 30th June 1996, to £213,500 at 30th June 1997.

9. EARNINGS PER SHARE

The earnings per share calculation is based on a profit after taxation of £45.9m (1996 £35.6m) and 231.8m ordinary equity shares (1996 199.6m), being the weighted average number of shares in issue and ranking for dividend during the year. The 1996 weighted average number of shares has been adjusted to reflect the rights issue during the year ended 30th June 1996.

10. TANGIBLE FIXED ASSETS

	Freehold property £m	Group Plant £m	Total £m	Company Total Plant £m
Cost				
At 1st July 1996	5.4	5.9	11.3	0.2
Additions	2.6	0.5	3.1	-
Disposals	-	(0.2)	(0.2)	-
At 30th June 1997	8.0	6.2	14.2	0.2
Accumulated depreciation				
At 1st July 1996	0.1	5.0	5.1	0.2
Provision for the year	-	0.4	0.4	-
Disposals	-	(0.2)	(0.2)	-
At 30th June 1997	0.1	5.2	5.3	0.2
Net book value at 30th June 1997	7.9	1.0	8.9	-
Net book value at 30th June 1996	5.3	0.9	6.2	-

NOTES TO THE ACCOUNTS

11. INVESTMENT IN ASSOCIATED UNDERTAKINGS

Group	Long term joint ventures £m	Associated undertakings £m	Loans to associated undertakings £m	Total £m
Cost				
At 1st July 1996	1.7	0.1	1.4	3.2
Disposal of interest in associated undertaking	-	-	(1.4)	(1.4)
At 30th June 1997	1.7	0.1	-	1.8
Share of post acquisition reserves				
At 1st July 1996	(0.8)	(0.6)	-	(1.4)
Disposal of interest in associated undertaking	-	0.6	-	0.6
At 30th June 1997	(0.8)	-	-	(0.8)
Amounts written off				
At 1st July 1996	(0.7)	-	(0.1)	(0.8)
Disposal of interest in associated undertaking	-	-	0.1	0.1
At 30th June 1997	(0.7)	-	-	(0.7)
Net book value at 30th June 1997	0.2	0.1	-	0.3
Net book value at 30th June 1996	0.2	(0.5)	1.3	1.0

12. STOCKS

Group	1997 £m	1996 £m
Work in progress		
Showhouse complexes and houses awaiting legal completion	415.4	331.7
Properties in Business Expansion Schemes	107.5	132.9
	17.0	17.0
	539.9	481.6

In 1993 the group supported four Business Expansion Scheme companies to provide assured tenancy housing, all of which were fully subscribed at a total of £20.0m. A major portion of this amount was used to purchase properties at market value from various Barratt subsidiaries. The group has given a guarantee that there will be sufficient cash resources available for distribution from the four BES companies in 1998 and 1999 to provide the BES investors with a guaranteed return per share. As the guarantee is in place the sale of the properties has not been recognised in these accounts. The properties are held in the balance sheet at their original cost of £17.0m (1996 £17.0m). The sale proceeds of £18.9m (1996 £18.9m) are held in creditors and the profit attributable to the properties of £1.9m (1996 £1.9m) has not been recognised in these accounts.

13. DEBTORS

	Group		Company	
	1997 £m	1996 £m	1997 £m	1996 £m
Due within one year				
Secured loans				
Trade debtors	1.5	3.5	-	-
Amounts recoverable on contracts	5.0	5.9	-	-
Other debtors	3.9	1.0	-	-
Prepayments	7.5	8.1	0.5	0.1
Corporation tax recoverable	1.8	1.8	0.1	0.1
	-	2.2	-	0.1
	19.7	22.5	0.6	0.3
Due after more than one year				
Secured loans				
Advance corporation tax recoverable	3.7	3.9	-	-
Other debtors	3.5	3.2	3.5	3.2
	0.3	0.3	-	-
	7.5	7.4	3.5	3.2
	27.2	29.9	4.1	3.5

NOTES TO THE ACCOUNTS

14. CREDITORS DUE WITHIN ONE YEAR

	Group		Company	
	1997 £m	1996 £m	1997 £m	1996 £m
Bank loans and overdrafts	13.3	27.6	9.5	23.4
Trade creditors including deferred land payments	135.6	130.9	0.5	-
Payments on account	1.1	1.2	-	-
Corporation tax	22.6	19.2	0.2	-
Advance corporation tax	5.2	4.5	5.2	4.5
Other taxation including social security	2.8	2.5	0.1	-
Proposed dividend	13.9	12.7	13.9	12.7
Other creditors	10.8	8.1	1.8	1.6
Accruals and deferred income	46.5	26.9	4.7	4.5
	251.8	233.6	35.9	46.7

15. CREDITORS DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1997 £m	1996 £m	1997 £m	1996 £m
Bank loans	15.1	11.7	15.1	7.8
Trade creditors including deferred land payments	22.1	10.0	-	-
Other creditors	0.2	0.4	-	-
Accruals and deferred income	9.5	19.2	-	-
	46.9	41.3	15.1	7.8

The bank loans are drawn under long term revolving credit facilities and on maturity can be replaced at the company's option by further advances or bills.

	Group	
	1997 £m	1996 £m
Bank loans at interest rates related to normal base rates include amounts due:		
Between one and two years	-	11.7
Between two and five years	15.1	-
	15.1	11.7

Total creditors include £50.4m (1996 £61.8m) secured on assets of the group.

16. PROVISION FOR LIABILITIES AND CHARGES

	Group	
	1997 £m	1996 £m
Provision for diminution in value of goodwill	1.0	-

On 26th August 1997 the group disposed of 50% of its leisure subsidiary, Barratt International Resorts Limited. Provision has been made for the permanent diminution in the value of goodwill attributable to this disposal which had been previously written off against reserves. The directors do not believe this disposal is material to the group.

NOTES TO THE ACCOUNTS

17. CALLED UP SHARE CAPITAL

	1997 £m	1996 £m
Authorised 300,000,000 ordinary shares of 10p each	30.0	30.0
Allotted and issued ordinary shares of 10p each		
Fully paid – 231,869,374 ordinary shares (1996 231,626,666)	23.2	23.2

The issued share capital of the company was increased during the year to 231,869,374 ordinary shares of 10p each by the issue of 242,708 ordinary shares of 10p each for a cash consideration of £203,556 in satisfaction of options duly exercised in accordance with the rules of the executive share option scheme (see note 19).

As at 30th June 1997 the following options issued in accordance with the rules of the executive share option scheme were outstanding:

Date of grant	Option price	Directors	Senior executives	Not exercisable after
08.10.1987	213p	36,934	153,011	07.10.1997
06.04.1988	182p	–	26,381	05.04.1998
27.10.1988	167p	–	26,381	26.10.1998
23.10.1991	55p	–	79,148	22.10.2001
15.10.1992	63p	105,530	89,697	14.10.2002
28.09.1993	180p	738,710	–	27.09.2003
27.09.1994	171p	501,264	691,171	26.09.2004
26.04.1996	271p	340,000	50,000	25.04.2006

Following the rights issue made in the year ended 30th June 1996 qualifying options outstanding at the date of the issue were adjusted on 23rd July 1996 in accordance with the rules of the executive share option scheme.

18. RESERVES

	Share premium £m	Profit retained £m	Total £m
Group			
At 1st July 1996	174.2	134.6	308.8
Premium on issue of ordinary equity shares under share options, net of expenses	0.2	–	0.2
Retained profit	–	25.0	25.0
Exchange adjustments	–	(0.8)	(0.8)
At 30th June 1997	174.4	158.8	333.2
Company			
At 1st July 1996	174.2	28.2	202.4
Premium on issue of ordinary equity shares under share options, net of expenses	0.2	–	0.2
Retained profit	–	0.1	0.1
Exchange adjustments	–	(0.1)	(0.1)
At 30th June 1997	174.4	28.2	202.6

19. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	1997 £m	1996 £m
Profit on ordinary activities after taxation	45.9	35.6
Dividends	(20.9)	(17.8)
	25.0	17.8
Other recognised gains and losses relating to the year	(0.8)	0.3
New share capital subscribed net of expenses (including premium)	0.2	92.1
Net addition to equity shareholders' funds	24.4	110.2
Opening equity shareholders' funds	332.0	221.8
Closing equity shareholders' funds	356.4	332.0

NOTES TO THE ACCOUNTS

20. CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES

	1997 £m	1996 £m
Operating profit	72.9	58.7
Depreciation charges	0.4	0.4
Profit on sale of investment in associated undertaking	(0.2)	-
Decrease/(increase) in properties held for sale	1.3	(1.2)
Increase in stocks	(62.6)	(59.5)
(Increase)/decrease in debtors	(1.1)	7.9
Increase in creditors	31.9	19.9
Distributions from associated undertakings	-	0.1
	42.6	26.3

21. ANALYSIS OF NET FUNDS

	1997 £m	Cash flow £m	Non cash movement £m	Exchange movement £m	1996 £m	Cash flow £m	Non cash movement £m	Exchange movement £m	1995 £m
Cash at bank and in hand	74.2	(7.1)	-	-	81.3	35.2	-	-	46.1
Overdrafts	(1.6)	(0.9)	-	-	(0.7)	2.0	-	-	(2.7)
	72.6	(8.0)	-	-	80.6	37.2	-	-	43.4
Debt due after one year	(15.1)	-	(4.2)	0.8	(11.7)	47.0	19.6	(0.9)	(77.4)
Debt due within one year	(11.7)	9.2	4.2	1.8	(26.9)	-	(19.6)	-	(7.3)
	(26.8)	9.2	-	2.6	(38.6)	47.0	-	(0.9)	(84.7)
Total	45.8	1.2	-	2.6	42.0	84.2	-	(0.9)	(41.3)

22. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The company has shareholdings at a cost of £65.8m (1996 £65.8m).

The principal subsidiary undertakings are set out on page 32.

23. OPERATING LEASE OBLIGATIONS

	Group			
	1997		1996	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Annual commitments:				
Operating leases which expire:				
Within one year	0.1	1.1	0.2	0.4
Between two and five years	0.5	2.5	0.1	2.1
In five years or more	1.1	0.2	0.7	-
	1.7	3.8	1.0	2.5

NOTES TO THE ACCOUNTS

24. CONTINGENT LIABILITIES

The company has guaranteed certain bank borrowings of its subsidiary undertakings, however there was no contingent liability in respect of the borrowings at the year end (1996 £14.8m). In addition there are contingent liabilities in respect of guarantees relating to certain subsidiaries entered into in the normal course of business. Certain subsidiary undertakings have commitments for the purchase of trading stock entered into in the normal course of business.

25. RELATED PARTY TRANSACTIONS

A number of partners in the firm of solicitors Field Cunningham & Co, one of whom is Mr P H Ashworth, perform development related legal work for two of the twenty five operating divisions of the group. The firm also performs some general legal work for the two divisions and deals with certain specific group legal matters. All transactions with the firm have been on normal commercial terms. The amount invoiced during the year ended 30th June 1997 was £387,608 of which £23,545 was outstanding at the year end.

FIVE YEAR RECORD AND FINANCIAL CALENDAR

FIVE YEAR RECORD

Year	1997	1996	1995	1994	1993
Turnover £m	714.4	634.3	579.0	498.9	405.3
Profit before tax £m	70.1	52.1	47.1	35.2	20.4
Share capital and reserves £m	356.4	332.0	221.8	205.4	192.5
Per ordinary share:					
Earnings pence	19.8	17.8	15.2	12.2	8.8
Dividend pence	9.0	8.25	7.11	5.69	3.79
Net assets pence	154	143	115	107	101
Dividend cover	2.2	2.0	2.1	2.1	2.3

For the purposes of the five year record earnings per share, dividends per share and net assets per share have been adjusted to reflect the rights issue made in the year ended 30th June 1996.

FINANCIAL CALENDAR

Announcement of results:	
Half year	26th March 1997
Full year	24th September 1997
Dividends:	
Interim paid	23rd May 1997
Final payable	21st November 1997
Annual Report posted to shareholders	24th October 1997
Annual General Meeting	20th November 1997

COMPANY BALANCE SHEET
at 30th June 1997

	Note	1997 £m	1996 £m
FIXED ASSETS			
Investment in subsidiary undertakings	22	65.8	65.8
		<u>65.8</u>	<u>65.8</u>
CURRENT ASSETS			
Due from subsidiary undertakings within one year		171.8	128.5
Due from subsidiary undertakings after more than one year		88.6	89.3
Debtors due within one year	13	0.6	0.3
Debtors due after more than one year	13	3.5	3.2
Bank and cash		65.0	76.0
		<u>329.5</u>	<u>297.3</u>
CURRENT LIABILITIES			
Due to subsidiary undertakings within one year		118.5	83.0
Creditors due within one year	14	35.9	46.7
NET CURRENT ASSETS		<u>175.1</u>	<u>167.6</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>240.9</u>	<u>233.4</u>
CREDITORS DUE AFTER MORE THAN ONE YEAR	15	15.1	7.8
NET ASSETS		<u>225.8</u>	<u>225.6</u>
CAPITAL AND RESERVES			
Called up share capital	17	23.2	23.2
Share premium	18	174.4	174.2
Profit retained	18	28.2	28.2
EQUITY SHAREHOLDERS' FUNDS		<u>225.8</u>	<u>225.6</u>

Approved by the board on 16th October 1997

Sir Lawrence Barratt }
C A Dearlove } Directors

GROUP STRUCTURE AND DIRECTORY

BARRATT HOMES LIMITED - OPERATING DIVISIONS

GROUP OFFICE	UK NORTHERN REGION	UK CENTRAL REGION	UK WEST REGION	UK SOUTHERN REGION
Barratt Developments PLC, Wingrove House, Ponteland Road, Newcastle upon Tyne, NE5 3DP. Tel: 0191 286 6811 Fax: 0191 271 2242	Barratt Northern, Barratt House, Airport Industrial Estate, Kenton, Newcastle upon Tyne, NE3 2EQ. Tel: 0191 286 9866 Fax: 0191 286 8088	Barratt Central, Worrall House, 683 Chester Road, Manchester, M16 0QS. Tel: 0161 872 0161 Fax: 0161 877 6070	Barratt West, 1st Floor, Midland House, New Road, Halesowen, West Midlands, B63 3HY. Tel: 0121 585 5303 Fax: 0121 585 5535	Barratt Southern, Alexandra House, Balfour Road, Hounslow, Middlesex, TW3 1JX. Tel: 0181 607 1900 Fax: 0181 577 8263
PRINCIPAL SUBSIDIARY UNDERTAKINGS:	Barratt East Scotland, Craigcrook Castle, Craigcrook Road, Edinburgh, EH4 3PE. Tel: 0131 336 3655 Fax: 0131 336 2392	Barratt Chester, Oak House, Lloyd Drive, Ellesmere Port, South Wirral, Cheshire, L65 9HQ. Tel: 0151 357 4800 Fax: 0151 357 4801	Barratt Bristol, Barratt House, Almondsbury Business Centre, Woodlands, Almondsbury, Bristol, BS12 4QH. Tel: 01454 202202 Fax: 01454 612277	Barratt Eastern Counties, Goldray House, Parkway, Chelmsford, Essex, CM2 7PR. Tel: 01245 228800 Sales Enq: 01245 228822 Fax: 01245 228866
UK HOUSEBUILD	Barratt Leeds, Premier House, 14 Royds Hall Road, Pavilion Business Park, Leeds, LS12 6AJ. Tel: 0113 279 0099 Fax: 0113 279 0038	Barratt East Midlands, Broadgate House, Humber Road, Beeston, Nottingham, NG9 2EF. Tel: 0115 922 2421 Fax: 0115 943 1308	Barratt Southampton, Abacus House, 13a Oakmount Road, Chandlers Ford, Hants, SO53 2LG. Tel: 01703 275275 Fax: 01703 269922	Barratt East London, 1 Warton Road, Stratford, London, E15 2LA. Tel: 0181 522 5500 Sales Enq: 0181 522 5555 Fax: 0181 519 5536
COMMERCIAL PROPERTY	Barratt Newcastle, Barratt House, Airport Industrial Estate, Kenton, Newcastle upon Tyne, NE3 2EQ. Tel: 0191 286 9866 Fax: 0191 271 5985	Barratt Manchester, Worrall House, 683 Chester Road, Manchester, M16 0QS. Tel: 0161 872 0161 Sales Enq: 0161 872 6004 Fax: 0161 848 7332	Barratt South Midlands, 5 Bow Court, Fletchworth Gate, Coventry, CV5 6SP. Tel: 01203 717676 Fax: 01203 714646	Barratt North London, 3 The Orient Centre, Greycaine Road, Watford, WD2 4JP. Tel: 01923 297300 Fax: 01923 297301
CONTRACTING	Barratt West Scotland, Mayfield House, 7 Maggie Wood's Loan, Falkirk, FK1 5SJ. Tel: 01324 620011 Fax: 01324 625916	Also Sales Office at: 333 Garstang Road, Fulwood, Preston, PR2 4UP. Tel: 01772 774411 Fax: 01772 774461	Barratt South Wales, Oak House, Penarth Road, Cardiff, CF1 7UW. Tel: 01222 704334 Sales Enq: 01222 706515 Fax: 01222 703675	Barratt South London, Grosvenor House, 110 Manor Road, Wallington, Surrey, SM6 0DN. Tel: 0181 647 9699 Fax: 0181 669 5299
LEISURE PROPERTY	Barratt York, Richmond House, Millfield Lane, Poppleton, York, YO2 6PH. Tel: 01904 797961 Fax: 01904 781665	Barratt Northampton, Alexandra House, Queenswood Office Park, Newport Pagnell Road West, Northampton, NN4 7JJ. Tel: 01604 674333 Sales Enq: 01604 675 959 Fax: 01604 674334	Barratt Thames Valley, S.C. House, Vanwall Road, Maidenhead, Berkshire, SL6 4UB. Tel: 01628 629922 Fax: 01628 629500	Barratt Southern Counties, Barratt House, Walnut Tree Close, Guildford, Surrey, GU1 4SW. Tel: 01483 505533 Fax: 01483 301406
USA		Barratt West Midlands, Midland House, New Road, Halesowen, West Midlands, B63 3HY. Tel: 0121 585 5303 Fax: 0121 585 5304		Barratt West London, Alexandra House, Balfour Road, Hounslow, Middlesex, TW3 1JX. Tel: 0181 607 1900 Fax: 0181 577 4366
†**Barratt American Inc., 2035 Corte Del Nogal, Suite 160, Carlsbad, California CA 92009, United States of America. Tel: 001 760 431 0800 Fax: 001 760 929 6430				

All of the above companies' principal activities are building and development.

All the above are registered in England and Wales except those marked:

* which are registered in Scotland ** which is registered in USA.

At 30th June 1997 all of the shares in the above were wholly owned by the parent except those marked † which were wholly owned by subsidiary undertakings.