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Directors and Professional Advisers

Directors

| | | | |
|---------------------------|---------------------------------|------------------------------------|--------------|
| C G Toner *†§ Chairman | D A Pretty § Chief Executive | H Walker Deputy Chief Executive | |
| P H Ashworth *†§ | S J Boyes | C A Dearlove | C Fenton |
| P R Gieron | G K Hester | A E Kilburn *†§ | M Pescod *†§ |

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

Mr C G Toner, 61, was appointed a non-executive director in May 2002. He was previously the Deputy Group Chief Executive of Abbey National plc and is currently a non-executive director of Ford Credit Europe (FCE) Bank Plc. He was appointed Group Vice-Chairman in June 2002 and Group Chairman in October 2002.

Mr D A Pretty, 58, 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 Barratt Homes Southern Region. He was appointed Group Managing Director in March 1998 and Group Chief Executive in October 2002.

Mr H Walker, 57, joined the Group in 1977 and was managing director of Barratt Manchester from 1988 until his appointment to the Main Board in July 1996 as Chairman of the Barratt Homes Central Region. He was appointed Deputy Group Chief Executive in July 2003.

Mr P H Ashworth, 65, was appointed a non-executive director in May 1997. He is the senior partner in the firm of solicitors, Field Cunningham & Co.

Mr S J Boyes, 42, joined the Group in 1978. Formerly the managing director of Barratt York, he was appointed to the Main Board in July 2001 and is Chairman of the Barratt Homes Northern Region.

Mr C A Dearlove, 51, joined the Group finance department in 1981. He was appointed to the Main Board as Group Finance Director in December 1992.

Mr C Fenton, 45, initially joined the Group in 1983 becoming managing director of Barratt West London in 1996. He was appointed to the Main Board in July 2003 and is Chairman of the Barratt Homes Southern Region.

Mr P R Gieron, 49, joined the Group in 1980. Formerly the managing director of Barratt Bristol, he was appointed to the Main Board in July 1997 and is Chairman of the KingsOak Homes Region.

Mr G K Hester, 58, joined the Group in 1996 having formerly held positions as the Chief Executive of Westbury Homes Limited and as a director of the Britannia Group. He was appointed managing director of Barratt Bristol in 1996 and to the Main Board in November 1999. He is the Chairman of the Barratt Homes West Region.

Mr A E Kilburn OBE, 67, non-executive director, was appointed to the Board in April 1998. He has worked in housing for more than 40 years and has held senior positions in both local authority and housing association sectors. Formerly the Chief Executive of Home Housing Association from 1976 until his retirement in April 1998, he is currently involved in a number of charitable enterprises including the North East Civic Trust and the William Sutton Trust, of which he is Chairman.

Mr M Pescod, 57, was appointed a non-executive director in October 2001. He is a partner in Tricorn Partners LLP and a director of Racecourse Holdings Trust Limited. He was previously a partner in Slaughter and May.

Secretary

Mr L Dent

Life President

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

Registrar

Capita IRG Plc
 Bourne House
 34 Beckenham Road
 Beckenham
 Kent
 BR3 4TU

Registered Auditors
 PricewaterhouseCoopers LLP

Brokers
 Cazenove & Co. Ltd

Solicitors
 Slaughter and May

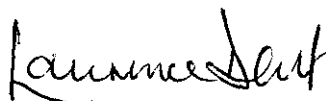
Merchant Bankers
 UBS Warburg

Notice of Annual General Meeting

Notice is hereby given that the forty fifth annual general meeting of Barratt Developments PLC (the "Company") will be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London, EC2Y 5BL on 13th November 2003 at 2.30pm for the following purposes:

1. To receive and adopt the reports of the auditors and directors and the accounts for the year ended 30th June 2003.
2. To declare a final dividend.
To re-elect directors:
 3. Mr S J Boyes who retires by rotation.
 4. Mr P R Gieron who retires by rotation.
 5. Mr G K Hester who retires by rotation.
 6. Mr C Fenton who retires at the first annual general meeting following his appointment by the Board.
7. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising, by reason of the resignation of PricewaterhouseCoopers), to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the directors to fix their remuneration.
To consider and, if thought fit, pass the following resolutions of which resolutions 8, 9 and 10 will be proposed as ordinary resolutions and resolutions 11 and 12 will be proposed as special resolutions.
8. That the Directors' Remuneration Report for year ended 30th June 2003 be and is hereby approved.
9. That:
 - (a) The Barratt Developments Long-Term Performance Plan (the "Plan"), a summary of which is set out in the Appendix to the letter from the Chairman of the Company to shareholders dated 15th October 2003, be and is hereby approved and that the directors be and they are hereby authorised to do all acts and things necessary to establish and carry it into effect; and
 - (b) the directors be and they are hereby authorised to vote and be counted in the quorum on any matter connected with the Plan (except that no director may vote or be counted in the quorum in respect of his own participation) and any prohibition on voting contained in the articles of association of the Company be and is hereby relaxed accordingly.
10. That the Board be and it is generally and unconditionally authorised 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 £6,136,425 being 25.7% of the nominal value of the existing issued share capital as at 24th September 2003 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.
11. That, subject to the passing of resolution 10 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 10 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 to the allotment of equity securities:
 - (a) in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests 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) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value of £1,193,179 being 5% of the nominal value of the existing issued share capital as at 24th September 2003 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.
12. That the Company be and it is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of its ordinary shares of 10p each ("Ordinary Shares") provided always that:
 - (a) this authority is limited to a maximum aggregate number of 23,863,575 Ordinary Shares;
 - (b) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent of the average of the closing middle market quotation for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased (exclusive of expenses); and
 - (c) the minimum price which may be paid for an Ordinary Share is 10p (exclusive of expenses).The authority hereby conferred shall, unless renewed prior to such time, expire on the earlier of the date falling eighteen months after the passing of this resolution and the conclusion of the Company's next annual general meeting, save that the Company may before such expiry enter into a new contract under which a purchase of Ordinary Shares may be completed or executed wholly or partly after such expiry and the Company may purchase Ordinary Shares in pursuance of such contract as if the authority conferred hereby had not expired.

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



By order of the Board
L Dent
Secretary
9th October 2003

Notes:

- (i) 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.
- (ii) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered at 2.30pm on 11th November 2003 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.
- (iii) Copies of contracts of service of the directors with the Company and the register of the directors' interests will be available for inspection at the place of the meeting from 2.15 pm until the conclusion of the meeting.
- (iv) Copies of the full text of the proposed Barratt Developments Long-Term Performance Plan may be inspected at the registered office of the Company and at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY at any time during normal business hours on weekdays (Saturdays and public holidays excepted) up to and including the day of the annual general meeting, and at the place of the meeting from 2.15 pm until the conclusion of the meeting.

Directors' Report

The directors submit their report and the accounts for the year ended 30th June 2003.

ACTIVITIES OF THE GROUP

The Group's principal activity continues to be housebuilding 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 Chief Executive's and Operational Reviews on pages 4 to 19.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 30th June 2003 was £206.4m (2002 £158.1m).

An interim dividend of 4.94p per share (2002 4.49p) was paid on 23rd May 2003 and it is proposed to pay a final dividend of 12.32p per share (2002 9.89p per share second interim dividend paid in place of the proposed final dividend of the same amount) on 21st November 2003 to shareholders on the register at the close of business on 3rd October 2003.

The dividends paid and proposed to be paid amount to £40.2m (2002 £33.3m).

ANNUAL GENERAL MEETING

The notice of the annual general meeting on page 21 contains three resolutions relating to the Company's share capital.

Resolution number 10 requests shareholder approval to renew for one year the directors' authority to allot unissued shares in the capital of the Company and Resolution number 11 requests shareholders to authorise the directors to allot shares for cash in the context of a rights issue and otherwise up to a limit equal to 5% of the issued share capital without initially offering such shares to existing shareholders. The directors consider that the Company should maintain an adequate margin of unissued shares for use, for example, in connection with a future acquisition although they have no present intention of issuing any shares except to satisfy options under the Company's share option schemes.

Under Resolution number 12, the company is seeking renewal for a further year of its authority to make purchases in the market of its own ordinary shares subject to specified limits. Purchases under this authority will only be made on the London Stock Exchange and will be funded from distributable profits. Any ordinary shares so purchased will be cancelled.

In seeking this authority, the Board is not indicating any commitment to buy back ordinary shares. The Board will only exercise the authority if it considers that the purchases of ordinary shares can be expected to result in an increase in earnings per share and would be in the best interests of shareholders generally.

DIRECTORS AND THEIR SHAREHOLDINGS

The current directors of the company are listed on page 20. Mr F Eaton was a director at 30th June 2002 but died on 7th October 2002. Mr C Fenton was appointed a director on 1st July 2003. All other directors listed on page 20 held office throughout the financial year.

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

| Ordinary shares of 10p each | 30th June 2003 | | 1st July 2002 | |
|-----------------------------|----------------|-------------------------|---------------|-------------------------|
| | Fully paid | Executive share options | Fully paid | Executive share options |
| C G Toner | 5,000 | - | - | - |
| D A Pretty | 82,145 | 580,000 | 69,678 | 400,000 |
| H Walker | 273,877 | 520,000 | 268,991 | 400,000 |
| P H Ashworth | 5,700 | - | 5,700 | - |
| S J Boyes | 15,226 | 350,000 | 11,562 | 230,000 |
| C A Dearlove | 54,646 | 775,000 | 50,982 | 655,000 |
| P R Gieron | 86,999 | 520,000 | 83,335 | 400,000 |
| G K Hester | 31,664 | 410,000 | 28,000 | 290,000 |
| A E Kilburn | 4,000 | - | 4,000 | - |
| M Pescod | 10,000 | - | 10,000 | - |
| F Eaton | - | - | 804,455 | 935,000 |

At 1st July 2003 Mr C Fenton held interests in 62,000 ordinary shares of 10p each under the executive share option plan.

Directors' Report

At 30th June 2003 the executive directors had a potential future interest in 2,850,000 ordinary shares which are held by the Barratt Developments PLC Employee Benefit Trust.

Details of movements in the directors' interests in executive share options are shown in the Remuneration Report on page 35.

No notification had been received of any change in the above interests during the period 30th June 2003 to 24th September 2003.

Under the provisions of Article 87 of the company's memorandum and articles of association, Mr S J Boyes, Mr P R Gieron and Mr G K Hester offer themselves for re-election. Mr C Fenton retires in accordance with the provisions of Article 86 and offers himself for re-election.

At no time during or at the end of the year did any director have a material interest in a contract of significance in relation to the business of the Group, other than the transactions detailed in note 25 to the accounts.

CORPORATE GOVERNANCE

The company aspires to high standards of corporate governance in accordance with the principles of the Combined Code as appended to the UK Listing Rules, administered by the Financial Services Authority.

The Board is considering the recommendations of the Higgs Review: "The role and effectiveness of non-executive directors", the Smith Report on Audit Committees and the revised Combined Code on Corporate Governance published in July 2003 which is to take effect for financial years commencing after 1st November 2003. The Board believes that the Group is already compliant with most of the proposals that the Revised Code will introduce as from 1st November 2003. The principal area of non-compliance is in relation to the proposal that 50% of Board Members, excluding the Chairman, should be independent non-executive directors. The Board is committed to ensuring that the Group's governance systems continue to evolve in line with the Code's recommendations and a number of options are currently under consideration.

As part of the ongoing internal review of the Group's governance and accountability systems the following measures have been implemented during the year:

- The roles of Chairman and Chief Executive have been separated with the responsibilities of each role clearly delineated.
- Strategic and Business Planning Systems have been reviewed and updated.
- Risk Management and Internal Financial Control and Compliance Systems have been reviewed and updated.
- Revised terms of reference have been introduced for the Audit, Remuneration and Nomination Committees.
- A revised Statement of Shareholder Relations has been introduced.
- A Code of Conduct for Directors and Senior Managers has been developed.
- Group Governance Procedures have been set out in a manual for Directors and Senior Management.

Directors

The Board of directors, which during the majority of the year comprised six executive and four non-executive directors, one third of whom retire by rotation each year, has overall responsibility for the maintenance and operation of Group internal controls. There are four non-executive directors, Mr C G Toner, Mr P H Ashworth, Mr A E Kilburn and Mr M Pescod. Mr C G Toner served as senior independent director and Group Vice Chairman, until 18th October 2002 when he was appointed Group non-executive Chairman. The Board believes that all the non-executive directors, with the exception of Mr P H Ashworth, are wholly independent in that they have no business or other relationship with the Group that might influence their independence of judgement. Mr P H Ashworth has an ongoing business relationship with the company, details of which are disclosed on page 47. The non-executive directors do not participate in the company's performance related pay, pension or share option schemes. Mr F Eaton was both Group Chairman and Chief Executive until his death on 7th October 2002. The Board considered, however, that a balance of power and authority at the head of the company was achieved by the then senior independent director, Mr C G Toner, serving as Group Vice Chairman and Mr D A Pretty as Group Managing Director. This, coupled with the experience and expertise of the four non-executive directors ensured that there was a division of responsibility between the executive function and the running of the Board. On 18th October 2002 the roles of Group Chairman and Chief Executive were separated. On 18th October 2002 Mr C G Toner was appointed Non-Executive Chairman and Mr D A Pretty was appointed Chief Executive.

Directors' Report

The Board meets eleven times each year and there is a formal schedule of matters specifically reserved to the Board for decision or approval. All directors have access to the advice and services of the Company Secretary, who is a practising solicitor, and, if necessary, to independent professional advisors at the company's expense. Training is available for both new and existing directors as, and when, required.

The Board has established three standing committees, the Audit Committee, the Remuneration Committee and the Nomination Committee, the functions of which are clearly specified within defined terms of reference. The terms of reference of all three Committees have been reviewed and updated during the year.

- The Audit Committee is made up of the four non-executive directors and is chaired by Mr M Pescod. The committee is responsible to the Board for the appraisal of the Group's financial management and reporting systems and for assessing the integrity and effectiveness of its accounting procedures and internal controls. All material issues arising from the internal audit programme are reported to the Board on a monthly basis, including a forward action plan, progress against which is monitored by the Audit Committee and the Board in one and three monthly follow-up reports. The Committee is responsible for determining the audit fee and for keeping under review the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. The Audit Committee is also responsible for establishing the parameters of the Group Risk Map and for reviewing progress in terms of the management of risk and internal controls. It is proposed that once an additional wholly independent director has been appointed Mr C G Toner and Mr P H Ashworth will stand down from membership of the Audit Committee having regard to the recommendations of the revised Combined Code on Corporate Governance.
- The Remuneration Committee was also made up of the four non-executive directors and is chaired by Mr A E Kilburn. The Committee meets at least once a year and its role is to make recommendations to the Board in relation to the terms of employment and remuneration of the executive directors. Mr P H Ashworth has now stood down from membership of the Remuneration Committee in view of his non-independence.
- The Nomination Committee, chaired by Mr C G Toner, comprises the non-executive directors and Mr D A Pretty. The primary function of the Committee is to make recommendations to the Board with regard to all new appointments and promotions to main Board positions. In discharging this function the Committee aims to ensure that all directors possess a balanced range of skills, experience and expertise in order to discharge their responsibilities effectively.

As Group parent, Barratt Developments PLC, through its Board of directors, retains overall responsibility for the control and direction of the business and for the allocation of funding and resources. Housebuilding and development operations are delivered through a decentralised regional and divisionalised structure. There are currently four operating regions within Barratt Homes Limited covering England, Scotland and Wales. KingsOak Homes Limited, which has its own corporate identity and product branding, is also managed by the Group as an operating region. Each operating region including KingsOak is headed up by a Regional Chairman who also serves as an executive director at Main Board level. Not only does this enable the Main Board to remain close to, and focused on, the cutting edge of the business, it also means that the operating divisions remain in touch with the Group's centre and values.

The Managing Director of each operating division and the local management team make up the divisional Board, each of which is chaired by a Regional Chairman. Each divisional Board meets monthly to oversee local housebuilding operations and performance. Although each division is run and monitored as a free standing business, they operate within clearly defined central parameters in relation to overall strategic direction and financial control. This tried and tested structure enables the divisions to be responsive to local demand and market conditions, whilst at the same time benefiting from the financial strength and economies of scale of a large national Group.

Directors' Remuneration

The policy for and details of directors' remuneration are contained in the Remuneration Report on pages 29 to 35.

Accountability and Audit

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 2003. The directors also confirm that applicable accounting standards have been followed and that the financial 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.

The Board of directors is required to consider whether the company and the 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 financial statements.

The Annual Report and Accounts will be published on the Group's websites. The maintenance and integrity of the Group's websites is the responsibility of the Directors. The work carried out by the auditors does not include consideration of these matters. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Report

Internal Control System

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

- A clear organisational structure with defined levels of authority and responsibility for all senior management.
- A comprehensive strategic planning, budgeting and forecasting system with monthly reporting to the main Board and divisional Boards of the results and forecasts of all Group operating units against budget.
- Operational procedures, control parameters and accounting policies are embodied in the Group Policy and Accounting Manuals which are issued to all divisions and are regularly reviewed and updated.
- All major land acquisitions and capital projects are subject to rigorous financial and environmental appraisal within established parameters and also to formal authorisation procedures by main Board directors, divisional Boards or senior management within authorities approved and reviewed by the Board.
- A Risk Map process overseen by the Audit Committee. Key risk areas, including finance, land buying, the market and environmental and health and safety performance are reported to the Board each month. The Risk Map, the Combined Code and Internal Control exception reports are reviewed by the Board on a quarterly basis.
- All systems are monitored by the internal audit function including financial, marketing and construction related matters.

The directors have reviewed the operation and effectiveness of the Group's system of internal control for the year ended 30th June 2003.

Shareholder Relations

The Board believes that the effective management of investor communications is critical to its relationship with its shareholders and to the market in which the Company's shares are held, analysed and traded. The Group's corporate governance framework sets the context for its continuing investor relations programme particularly in respect of key areas such as Board membership, remuneration and public accountability statements.

The annual and interim reports are the primary means by which information about the Group, its Board and its business is communicated to institutional and private shareholders, investors and analysts. In addition, other major company publications are also circulated to shareholders. The Annual General Meeting is also used to enable private shareholders to discuss the Group's operations and progress directly with the Board. Information of a price sensitive nature is communicated as required by the Company Secretary to the Company Announcements Office of the Stock Exchange and the Group strives to ensure that all key information is effectively and clearly communicated. In addition to the above formal communications, the Company meets regularly with institutional investors and analysts in order to convey an understanding of the Company's operations, the market and its management objectives. The aim is to meet with major institutional shareholders at least once a year. Press releases on the Company's activities are made to journalists and the media through the Group Press Office and its external financial public relations consultancy service, Weber Shandwick Square Mile. The Group broker, Cazenove & Co., also works actively on its behalf in an effort to ensure that investors and potential investors in the business are given reliable information on the Group's operations, its values and ethos in order to make informed investment decisions.

Compliance

The Board has considered the Combined Code and believes that for the year under review it has complied with the principles of the Code.

EMPLOYMENT POLICY

The Board recognises that employees need to understand and contribute to the broad objectives of the business and seeks to develop good relations with employees through regular communication and consultation. Selection for employment and promotion is based on the objective assessment of ability and experience and the Group is committed to ensuring that its workplaces are free from unlawful discrimination of any sort. The Group strives to ensure that its policies and practices provide equal opportunities for all irrespective of gender, race, ethnic origin, colour, religion, physical disability, mental health, marital status, sexual orientation or age.

Applications for employment by disabled persons are considered on their merits with due regard to the individual skills and abilities of the applicant. Where disability arises in the course of an individual's employment the company will seek to enable the person to continue working by making appropriate adjustments to the working environment and by offering appropriate support and training.

The Group is committed to employee training and development at all levels of the organisation and endeavours to contribute to the industry's future skills base by an extensive recruitment and training programme for apprentices and also graduate trainees. The Group currently employs over 400 apprentices and 35 graduate trainees recruited from communities close to its areas of operation and its policy is to ensure that the majority of housebuilding sites employ apprentices.

The Group works closely with the Construction Industry Training Board (CITB) and the National House Building Council (NHBC) in training provision and a training plan is prepared annually linked to identified business priorities and objectives. Having regard to the nature of our business, particular focus is given in the training programme to construction management, trade skills, health and safety and customer care.

As a business our commitment to quality and continuous improvement is absolute. Our National Employee Award scheme forms an important part of our "Forward Through Quality" initiative which seeks to raise quality and performance standards through a process of internal monitoring and appraisal.

Directors' Report

During 2003/04 a review of employment procedures and processes is to be undertaken with a view to the introduction of a new Employee Handbook and the introduction of employment practice guidelines for managers.

HEALTH AND SAFETY

The Board is committed to the continuous improvement of health and safety performance and during the year work has continued on the further development of our Group Occupational Health and Safety Management System (OHSMS) first introduced 18 months ago. The OHSMS is designed for ease of use to ensure that all staff understand their responsibilities for the management of health and safety at every stage of the development process from scheme viability, site purchase, tender and construction through to individual purchaser sales and after sales service.

The OHSMS incorporates as a technical reference the CITB's GE 700 Site Safety Notes, which are regularly updated to reflect all statutory regulations, approved codes of practice, Health and Safety Executive guidance and British and European Standards and directives. GE 700 is also the standard reference for site management health and safety training throughout the industry.

The objectives of the Group's Health and Safety Policy are:

- To meet health and safety legislative requirements;
- To prevent injury to our customers and members of the public, our employees and subcontractors and to eliminate progressively any risks to health and safety arising from our operations;
- To promote health, safety and welfare as an integral part of management and leadership;
- To establish health and safety standards and management systems commensurate with our activities;
- To provide suitable health and safety training for all staff based on identified needs which are reviewed annually as part of the Group Training Plan;
- To monitor and audit the effectiveness and performance of our safety standards and management systems and to keep them under regular review;
- To provide, insofar as is practicable, a safe working environment with a shared commitment to site security, tidiness, reduction of waste and careful use of materials and equipment.

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Training is central to the process of continuous improvement and to the achievement of our health and safety objectives. All safety training requirements are identified annually and are incorporated into the Group annual training programme. Progress of health and safety training is monitored on a quarterly basis at divisional board meetings and by the Group centrally on a twice yearly basis.

During the year we have endeavoured to work more closely with our subcontractors in the development of our health and safety systems relying on our Safety Code for subcontractors, close monitoring of subcontractors' safety performance and the introduction of new site induction procedures. In the coming year it is intended to build on this work by making our internal training programme available to subcontractor management and staff.

In order to monitor and report on overall health and safety performance more effectively all Group sites are subject to three weekly safety inspections by either NHBC specialist safety inspectors or independent consultants. Site inspection reports are monitored both at divisional level and centrally by the Group's health and safety managers. As the NHBC also provides an identical inspection service to other national housebuilders, NHBC performance data is used to benchmark the Group's health and safety performance with that of others in the sector. It is encouraging to report that based on management reports provided by the NHBC during the year under review the Group's average performance score under the NHBC Safety Inspection regime has been ahead of the national average score achieved by other builders to which the NHBC provides site safety inspection services. During the year an Accident and Incident database has been established under which we hope to have performance data from 1st July 2003 available for inclusion in next year's Annual Report.

The following additional measures to strengthen our health and safety systems have also been implemented in the year:

- The number of Group Health and Safety Managers has been increased from 2 to 4 and another is about to be recruited, making a total of 5, covering all regions of the Group.
- A comprehensive review of fall protection and roof truss work has been undertaken which has resulted in a decision to acquire a proprietary safety decking system for use in all 33 operating divisions. Soft landing systems are also being acquired as a secondary option for use in roof work where use of the decking system is not appropriate.
- A range of additional Group Standard procedures have been developed for inclusion in the OHSMS dealing with Lifting Operations, Ground Works, Stairwell Protection, External Wall Construction, Asbestos Removal and Employment of Young Persons.

Directors' Report

ENVIRONMENTAL PERFORMANCE AND CORPORATE SOCIAL RESPONSIBILITY

The Barratt Group has been at the forefront of urban renewal in towns and cities throughout the UK for close on 25 years. The development of homes that stand the test of time for families and individuals in communities in which they can live and thrive is at the very heart of our business. We recognise therefore the significant and direct impact which our business has on the quality of life of our customers, those who at one time or another live in the homes we have built, their neighbours and all those who make up the wider communities in which our developments are located.

For many years the Group has actively pursued an environmental policy which seeks to minimise the potential adverse impacts of its business operations; to develop and improve the environmental performance of our products and to restore and enhance the natural environments in which our developments are set. In operational terms this broad policy translates into the following actions:

- Ensuring that before any land is purchased for development the feasibility study includes an environmental survey and risk assessment identifying both potential adverse impacts and opportunities to preserve and enhance existing environmental features.
- Clear instructions to architects and other specialist consultants to produce dynamic custom designs which minimise the environmental impact of our developments and complement any natural features on or adjacent to them.
- Close consultation and open dialogue with local communities and local planning authorities on the planning and building of developments.
- The Group strives to minimise any adverse environmental impact by sustained emphasis on safety, security, cleanliness and carefully planned traffic management arrangements on all construction sites.
- The operation of national agreements with suppliers under which suppliers environmental performance is monitored with particular emphasis on the use of raw materials from renewable sources, the reduction of waste and improved energy efficiency.
- Ensuring that building designs set good standards in energy efficiency and water usage.
- A national agreement with Wastefile UK, a waste and environmental management facilitator under which waste materials from all Group building sites are segregated, measured, recycled or disposed of in accordance with statutory requirements.

Detailed statistics are now available by Region and Division which enable the Group to monitor waste production levels and to target a sustained improvement in overall performance.

Although the above policies apply to all Group developments they are particularly suited to developments on land which has had a former use. Barratt has been and continues to be the industry leader in the recovery and regeneration of redundant land and buildings, creating in their place dynamic and sustainable communities which enhance the environment and quality of life of people throughout the country. The Group builds over 75% of its homes on sites with a former use, well in excess of Government targets and in doing so it reclaims over 800 acres of derelict land each year.

During the year a number of schemes of particular environmental interest have been under development, including a 208 unit scheme at The Dell, Southampton, which will incorporate a geothermal heating system which harnesses natural heat from below the earth's surface. This is the second scheme of this type developed by the Group with the prototype scheme at Park View, Southampton being the first of its kind in the UK. In Camberley Surrey our scheme for 340 houses on a former Army barracks site involves the promotion of alternative transport methods to reduce car dependency and to facilitate improved bus access and secure cycle parking. Our scheme at Chantry Rise, Medbourne, Milton Keynes developed in cooperation with English Partnerships and the Building Research Establishment (BRE) has achieved "very good" ratings in the Eco Homes Assessment with Standard Assessment Procedure (SAP) ratings in excess of 100 and an National Homes Energy Rating (NHER) rating of 10.0. In addition during the year Group schemes won no fewer than 12 Greenleaf Housing Awards organised by the New Homes Marketing Board and by the Daily Mail in recognition of various aspects of their positive environmental impact. This was the highest number of Greenleaf environmental awards achieved in the industry for the second year running. To qualify for an award the environmental features in the scheme must have been established for at least 3 years to demonstrate their durability.

The Board has agreed that for 2003/04 the Group will produce a separate environmental and corporate responsibility report to demonstrate to customers, shareholders and all other interested parties our continuing commitment to improving performance and transparency in these critical areas of our business. In doing so our aim will be not only to present more graphically to our stakeholders the many achievements of which we are justifiably proud, but also to set clearer benchmarks and indicators against which our future environmental and social accountability performance can be monitored and measured.

Directors' Report

STATUTORY INFORMATION

At 24th September 2003 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 |
|---|----------------------|-----------------------------|---------------------------|
| FMR Corp | 09.07.03 | 21,605,859 | 9.06% |
| Barclays PLC | 30.07.03 | 11,943,373 | 5.01% |
| Legal & General Investment Management Ltd | 14.01.03 | 7,233,924 | 3.04% |

During the year the Group made charitable donations of £6,000 (2002 nil). No political contributions were made during the year.

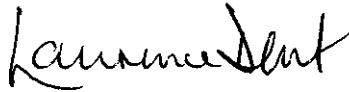
CREDITOR PAYMENTS

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 41 days (2002 47 days) for its trade creditors at 30th June 2003.

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1st January 2003, PricewaterhouseCoopers resigned on 14th February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution concerning their reappointment will be proposed at the annual general meeting.

On behalf of the Board
L Dent
Secretary
Newcastle upon Tyne



9th October 2003

Remuneration Report

Introduction

This year's remuneration report is presented for the first time to shareholders in accordance with the requirements of the Directors' Remuneration Report Regulations 2002 (the "Regulations"). In preparing the report in the new format the Remuneration Committee has reviewed remuneration policy for executive directors and in so doing has reaffirmed its commitment to ensure that overall remuneration continues to be linked to organisational and individual performance and has a clear alignment with the interests of shareholders.

The report also includes details of a new Long-Term Performance Plan for executive directors, which will be put to shareholders at the AGM and awards will be made thereafter. If approved, the Plan will replace the deferred bonus scheme for executive directors established in 1998, awards in respect of which vested at the year ended 30th June 2003.

Remuneration Committee

The Committee operates within terms of reference and governance policies approved by the Board and is responsible on behalf of the Board for:

- determining the service conditions and remuneration of all executive directors;
- executive remuneration policy;
- the evaluation of executive director performance with regard to the award of share options, deferred bonus and other performance based remuneration;
- obtaining independent professional advice in relation to executive director remuneration.

During the year under review the Remuneration Committee has met on five occasions.

Membership and Proceedings of the Remuneration Committee

The members of the Remuneration Committee are all non-executive directors and during the year have comprised Mr A E Kilburn (Chairman), Mr C G Toner, Mr M Pescod and Mr P H Ashworth. All Committee members other than Mr P H Ashworth are considered to be wholly independent with no financial interest, other than as shareholders, in the Committee's decisions. The Group Chief Executive attends meetings of the Committee as required but he is not present when matters affecting his own remuneration are considered. Having regard to current corporate governance expectations in relation to the independence of Remuneration Committee Members, Mr P H Ashworth has now stood down from membership of the Remuneration Committee.

Other than as expressly identified in this report the Remuneration Committee has complied with the Combined Code on Corporate Governance. The Committee recognises its accountability on executive remuneration to shareholders through this report and in determining future remuneration policy it will consider both the shareholders' vote on the report and views expressed by shareholders on the detail of the report.

Advice

Advice is provided to the Remuneration Committee by the Company Secretary, Mr L Dent, a practising solicitor. Mr Dent also acts as secretary to the Committee. In addition, Watson Wyatt LLP were appointed by the Committee to advise on a range of issues, including the current market positioning of the Group's executive remuneration having regard to a comparator group of eleven other leading housebuilding companies. They have also advised in relation to the structure of the proposed Long-Term Performance Plan to replace the deferred bonus scheme.

Mercer Human Resource Consulting Limited has advised the Company in relation to various pensions issues and, with effect from 10th July 2003, were appointed to provide actuarial services to the Barratt Group Pension and Life Assurance Scheme.

Slaughter and May, the Group's principal legal advisors, advised the company in relation to the establishment and operation of the company's current executive and employee share schemes. They have also advised the Remuneration Committee in relation to the rules governing the operation of the Long-Term Performance Plan.

Remuneration Policy

This report details the company's remuneration policy both for 2003/04, and so far as practicable, for subsequent years. Any changes made to the policy will be identified in subsequent Remuneration Reports to shareholders. Central to the Group remuneration policy is a recognition that the sustained growth and profitability of our business is determined in no short measure by the skill and commitment of the executive team. The reward policy for executive directors seeks to provide remuneration and other service conditions which will attract, retain, motivate and reward executive directors of the highest calibre within the industry's highly competitive employment market. Within these broad objectives the executive remuneration package is based on the following principles:

- the greater part of remuneration paid to executives should be linked to the achievement of demanding performance targets;
- performance related remuneration should align the interests of executives with those of shareholders by setting performance targets based on measures of shareholder return;

Remuneration Report

- total remuneration for outstanding performance should be competitive with that available elsewhere in the sector;
- executive director remuneration should be determined with due consideration to the rewards and conditions of all Group employees, particularly in relation to the annual review of basic salary.

The Remuneration Package for Executive Directors

The remuneration package for executive directors comprises:

- basic salary;
- annual profit related bonus;
- deferred bonus scheme (to be replaced in 2003 with a Long-Term Performance Plan);
- share option scheme;
- pension and other benefits.

Typically the performance related element of executive remuneration makes up more than 50% of the total package excluding pension benefits. The performance conditions which apply to the performance related element of executive remuneration are the same for all executive directors and are set out in the following sections of this report.

Basic Salary

Basic salaries for executive directors are a fixed annual sum payable monthly in cash. Salaries are set having regard to individual responsibilities, skills and experience and are currently based on the market median for similar positions in large national housebuilding companies. Salaries are reviewed each year by the Remuneration Committee and the following were set with effect from 1st July 2003:

| | £ | £ |
|--------------|---|---------------------------|
| D A Pretty | 400,400 (Appointed Chief Executive 18th October 2002) | (2002 : 230,000) |
| H Walker | 250,000 | (2002 : 230,000) |
| S J Boyes | 220,000 | (2002 : 180,000) |
| C A Dearlove | 225,000 | (2002 : 216,000) |
| C Fenton | 175,000 | (Appointed 1st July 2003) |
| P R Gieron | 239,000 | (2002 : 230,000) |
| G K Hester | 239,000 | (2002 : 220,000) |

Annual Profit Related Bonus

Each executive director also participates in an annual profit related bonus scheme based on the annual level of the Group's pre-tax profit with awards made at 0.133% of the Group pre-tax profit for the Group Chief Executive and 0.1% for all other executive directors. A similar annual bonus scheme is operated for senior management in all Group Regions and Divisions based on a percentage of pre-tax profit for each Region and Division.

The Remuneration Committee proposes to review the annual profit related bonus scheme so that for 2004/05 and future years there is a minimum level of profit that needs to be achieved before payouts begin. This has not been an issue for the business given its sustained profit growth over the last 11 years. The Committee considers it essential however that there should be clarity as to bonus entitlement should minimum profit targets not be achieved for whatever reason in the future.

Share Option Schemes

The Group's original Executive Share Option Scheme expired on its 10th anniversary in December 1996. In November 1997 the Company adopted the current Executive Share Option Plan (the "Plan"). The grant of share options under the Plan is at the discretion of the Remuneration Committee, taking into account individual performance and the overall performance of the Group. Options must be held for a minimum of three years from the date of grant before they can be exercised and lapse if not exercised within ten years. The exercise of the options granted under the Plan is subject to the achievement of an objective performance condition set by the Remuneration Committee namely that the growth in the earnings per share of the Company over a period of three consecutive financial years should exceed the growth in the Retail Price Index by at least 6% for options granted in 1997 and 1998 and by at least 9% for those options granted in and since 1999.

Deferred Bonus Scheme

The current deferred bonus scheme was established by the Board in 1998. It was a five year plan which ended on 30th June 2003 with any awards vesting at that date. The plan was established with a view to the delivery of a stretching performance target which was to double shareholder funds from £399.4m to over £800m on 30th June 2003 by increasing retained profit by over £400.6m in that same period. The maximum bonus award subject to achievement of the performance target is 0.005% of Group net profits during the performance period for executive directors and 0.0066% for the Group Chief Executive, pro rata to his period of office from 18th October 2002 to 30th June 2003. 50% of the bonus vests on attainment of the performance target and the remaining 50% vests at the discretion of the Remuneration Committee having regard to individual and organisational performance. With retained profits increasing by £512.5m the performance target has been exceeded by £111.9m and, having regard to the outstanding overall performance of all Regions of the business in the last five years, the Remuneration Committee has exercised its discretion to award the 50% discretionary element of the bonus in full. Deferred bonus payments will be made to the Executive Directors as follows:

Remuneration Report

| | | |
|--------------|----------|---------------------------|
| D A Pretty | £508,752 | |
| H Walker | £476,036 | |
| S J Boyes * | £256,983 | (from 1st July 2001) |
| C A Dearlove | £476,036 | |
| C Fenton ** | Nil | (Appointed 1st July 2003) |
| P R Gieron | £476,036 | |
| G K Hester * | £389,540 | (from 29th November 1999) |

Note: * The awards to Mr S J Boyes and Mr G K Hester are pro-rata to their period of office in the five year term of the plan.
 ** Mr C Fenton was not a member of the scheme during the performance period and is not eligible for an award.

Pension Benefits

All executive directors are members of the Group's defined benefit pension scheme, which is now closed to new entrants. The scheme entitles the executive directors with the exception of Mr D A Pretty, Mr G K Hester and Mr C Fenton to a pension on retirement at age 65 of two thirds of final pensionable salary after 40 years membership of the scheme. The executive directors are also eligible for dependents pension and an insured lump sum of four times pensionable salary on death in service. The final pension is calculated from the highest yearly average pensionable salary over three consecutive years during the last ten years of service.

The entitlements of Mr D A Pretty, Mr G K Hester and Mr C Fenton are restricted by the earnings cap imposed under the Finance Act 1989. Under a contractual arrangement entered into in 1992 Mr D A Pretty's pension accrues at the rate of 1/30th of the earnings cap.

As reported to shareholders in previous remuneration reports, annual profit related bonus is included in the calculation of final pensionable salary, for executive directors. The Remuneration Committee recognises that for executive directors the inclusion of profit related bonus in the calculation of final pensionable salary requires explanation under the Combined Code of Corporate Governance. In this regard the inclusion of profit related bonus in the calculation of pensionable salary is a contractual arrangement which pre-dates the introduction of the Combined Code. Furthermore, it is an arrangement which applies equally to all Group management and staff as well as to executive directors. The Committee is also mindful that apart from the funding of Mr Pretty's pension at 1/30th of the earnings cap, no pension enhancements are offered to Group executive directors whereas such executive pension enhancements are commonplace elsewhere in the sector.

The Remuneration Committee considers that until such time as the Inland Revenue's pending proposals for the introduction of a lifetime limit on pensions (currently anticipated at £1.4m with effect from April 2005) are finalised it would not be appropriate to implement any material changes to the structure of executive pensions. It is anticipated that all executive directors other than those whose pensions are already capped will be in excess of the proposed new Inland Revenue limits based on benefits earned to date. The pension entitlements for all executive directors will therefore be reviewed once final details of the Inland Revenue proposals are known.

Service Contracts

All executive directors are engaged on identical terms on the basis of one year rolling contracts which can be terminated by 12 months notice given by the Company or by 12 months notice given by the executive at any time. There are no specific provisions for compensation on early termination. The contracts entitle executive directors to the provision of a Company car and membership of a private health care scheme.

Individual Executive Directors Service Contracts:

| Executive Directors | Service Contract Date | Effective Date | Notice Period |
|---------------------|-----------------------|----------------|---------------|
| D A Pretty | 23.01.1997 | 01.02.1997 | 12 months |
| H Walker | 23.01.1997 | 01.02.1997 | 12 months |
| S J Boyes | 25.06.2001 | 01.07.2001 | 12 months |
| C A Dearlove | 23.01.1997 | 01.02.1997 | 12 months |
| C Fenton | 01.07.2003 | 01.07.2003 | 12 months |
| P R Gieron | 13.06.1997 | 01.07.1997 | 12 months |
| G K Hester | 20.10.1999 | 29.11.1999 | 12 months |

Remuneration Report

Non-Executive Directors' Remuneration

The remuneration of the non-executive directors is set by the Board on the recommendation of a Committee of executive directors and having regard to published data for the remuneration of non-executive directors in listed companies. The remuneration of the Chairman is set by the Board on the recommendation of the Remuneration Committee and having regard to published data for the remuneration of non-executive chairmen in listed companies.

With effect from 1st July 2003 the fee payable to Mr C G Toner as non-executive chairman was increased from £80,000 to £87,500 per annum.

With effect from 1st July 2003 the annual fee payable to the other non-executive directors was increased from £29,300 to £31,200, with an additional annual fee of £5,000 payable to those who also chair a Board Committee.

The Chairman and the non-executive directors are appointed by letter of engagement. They do not have service contracts and their appointments can be terminated (by the Board) at any time without notice and without compensation for loss of office. Under governance policies approved by the Board, non-executive directors are normally expected to serve a three year term of office, with a maximum of two such three year terms being the norm, unless the Board approves service of a third three year term. A maximum upper age limit of 70 years applies to all directors.

| Non-executive Directors | Effective date of current Appointment | Date of first Appointment |
|-------------------------|---|---------------------------|
| Mr C G Toner | 15th May 2002 (Appointed Chairman 18th October 2002) | 15th May 2002 |
| Mr P H Ashworth | 18th November 2002 | 1st May 1997 |
| Mr A E Kilburn | 18th November 2002 | 1st April 1998 |
| Mr M Pescod | 25th October 2002 | 1st October 2001 |

The Late Frank Eaton - Death in Service Benefits

Following his sudden and untimely death on 7th October 2002 the following contractual entitlements and death in service benefits have been paid to the estate of the late Frank Eaton.

- Four times salary, insured lump sum payment, refund of contributions and widows pension in accordance with the rules of the Barratt Group Pension and Life Assurance Scheme. As these benefits are provided under the Group pension scheme there is no charge to the profit and loss account.
- Salary and profit related bonus to the date of death as detailed in the Directors Emoluments table on page 34.
- The following share options have also been exercised by the estate within twelve months of the date of death in accordance with the rules of the Executive Share Option Plan.

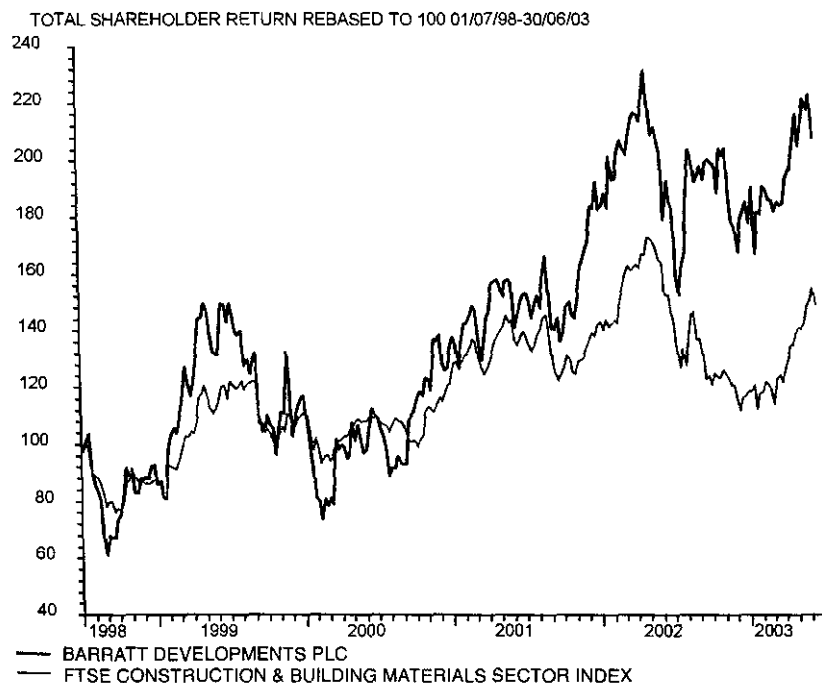
| No. of shares | Date granted | Date exercised | Exercise price per share | Market price at date of exercise |
|----------------|--------------|----------------|--------------------------|----------------------------------|
| 65,000 | 26.04.96 | 02.06.03 | 271p | 470.0p |
| 180,000 | 11.12.97 | 09.06.03 | 222p | 470.0p |
| 110,000 | 15.10.98 | 16.06.03 | 205p | 477.5p |
| 200,000 | 30.09.99 | 23.06.03 | 275p | 446.5p |
| 200,000 | 27.10.00 | 30.06.03 | 273p | 432.0p |
| 180,000 | 01.11.01 | 07.07.03 | 330p | 445.0p |
| <u>935,000</u> | | | | |

The Remuneration Committee has decided that Mr F Eaton's Deferred Bonus, accrued between 1st July 1998 and 7th October 2002, should be paid to his estate in full, being £484,454.

Remuneration Report

Total Shareholder Return Performance Graph

The following graph prepared in accordance to the Regulations shows the Company Total Shareholder Return performance over the last five years against the FTSE Construction and Building Materials Sector Index. The Board has chosen this comparator index as the Group is a constituent of the index along with its major competitors and it is also the index which is used to measure performance under the Long-Term Performance Plan.



Long-Term Performance Plan

For 2003/04 and beyond the Remuneration Committee proposes to introduce a 3 year rolling Long-Term Performance Plan with awards under the new scheme based on an annual allocation of notional ordinary shares equivalent to a maximum of 100% of basic salary with vesting taking place at the expiry of the three year performance period of the plan, subject to attainment of the agreed performance targets. 50% of the award will vest on attainment of a performance target based on Basic Earnings Per Share (EPS) growth and 50% based on Total Shareholder Return (TSR). A vesting schedule has been established so that in terms of EPS growth, the full 50% will vest if EPS growth exceeds the Retail Price Index (RPI) plus 15% and 10% will vest if EPS growth exceeds RPI plus 10%, with straight line vesting between these two points. The remaining 50% will vest subject to TSR performance measured against the constituents of the FTSE Construction and Building Materials Sector Index. Again a vesting schedule has been established so that the full 50% will vest if TSR growth is in the upper quartile of the comparative index and 10% vesting if TSR growth is at the median of the index, with straight line vesting between the two points.

Executive Shareholding Guidelines

To facilitate the introduction of a share based Long-Term Performance Plan the Remuneration Committee has agreed to establish the following Shareholding Guidelines for Executive Directors:

- Within five years of first appointment Executive Directors are expected to hold throughout their period of office ordinary shares in the company equivalent to 100% of their basic annual salary, pro-rata holdings are required to be held in this first five year period;
- For the purposes of determining the requisite level of each Executive Directors Shareholding relative to basic salary, the share price shall be that prevailing on 30th June in each year;
- Provided Executive Directors hold the appropriate level of shares they shall be at liberty to sell shares so as to realise their Long-Term Performance awards or in the exercise of share options subject to the normal Listing Rule requirements for director shareholdings;
- Executive Directors have until 31st January in each accounting period to increase their shareholding to the appropriate level.

The auditors are required to report on the information detailed in the following part of this report.

Remuneration Report

DIRECTORS' EMOLUMENTS

| | 2003 | | | | | 2002 |
|--------------|--------------|---------------------|-----------------------|------------|--------------|--------------|
| | Salary/Fee | Performance Related | | Benefits | Total | Total |
| | | Annual | Deferred Bonus Scheme | | | |
| £000 | £000 | £000 | £000 | £000 | £000 | |
| C G Toner | 68 | - | - | - | 68 | 4 |
| D A Pretty | 340 | 358 | 509 | 28 | 1,235 | 462 |
| H Walker | 230 | 291 | 476 | 22 | 1,019 | 453 |
| P H Ashworth | 29 | - | - | - | 29 | 28 |
| S J Boyes | 180 | 291 | 257 | 22 | 750 | 363 |
| C A Dearlove | 216 | 291 | 476 | 21 | 1,004 | 446 |
| P R Gieron | 230 | 291 | 476 | 8 | 1,005 | 446 |
| G K Hester | 220 | 291 | 389 | 19 | 919 | 422 |
| A E Kilburn | 29 | - | - | - | 29 | 28 |
| M Pescod | 29 | - | - | - | 29 | 21 |
| F Eaton | 147 | 131 | 484 | 3 | 765 | 644 |
| Total | 1,718 | 1,944 | 3,067 | 123 | 6,852 | 3,317 |

The sum of £2,382,000 was charged to the profit and loss account in prior years in respect of the deferred bonus shown above.

DIRECTORS' PENSION BENEFITS

| | Increase in accrued pension over the year to 30.06.03 (net of inflation) (£) | Accumulated total accrued pension at the end of the year (£) | Transfer value of the increase in the accrued pension over the year (net of inflation) (£) | Increase in accrued pension over the year to 30.06.03 (£) | Transfer value of accrued pension at 30.06.02 (£) | Transfer value of accrued pension at 30.06.03 (£) | Increase in transfer value over the year (£) |
|--------------|--|--|--|---|---|---|--|
| D A Pretty | 3,558 | 46,790 | 33,465 | 4,009 | 421,306 | 597,220 | 176,190 |
| H Walker | 20,947 | 147,567 | 221,142 | 23,064 | 1,196,372 | 1,851,461 | 630,940 |
| S J Boyes | 23,702 | 82,111 | 128,964 | 24,678 | 263,207 | 458,872 | 175,150 |
| C A Dearlove | 17,930 | 121,954 | 139,727 | 17,930 | 702,509 | 1,081,565 | 355,950 |
| P R Gieron | 19,696 | 126,511 | 128,866 | 21,482 | 618,234 | 953,459 | 311,280 |
| G K Hester | 1,638 | 10,402 | 13,358 | 1,638 | 77,841 | 120,963 | 37,290 |
| F Eaton | - | - | - | - | 1,156,200 | - | - |

The accrued pension entitlement is the amount that the director would receive if he retired at the end of the year. The Listing Rules require this to be disclosed excluding inflation.

The increase in the accrued entitlement is the difference between the accrued benefit at the end of the year and that at the previous year end.

All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the directors' pension benefits. They do not represent sums payable to individual directors and, therefore cannot be added meaningfully to annual remuneration.

Remuneration Report

DIRECTORS' SHARE OPTIONS

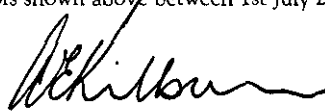
| | During the year | | At 30.06.03 | Exercise Price p | Earliest Exercise | Latest Expiry |
|--------------|-----------------|---------|----------------|---------------------|----------------------|------------------|
| | At 30.06.02 | Granted | | | | |
| D A Pretty | 140,000 | - | 140,000 | 275 | 30.09.02 | 29.09.09 |
| | 140,000 | - | 140,000 | 273 | 27.10.03 | 26.10.10 |
| | 120,000 | - | 120,000 | 330 | 01.11.04 | 31.10.11 |
| | - | 180,000 | - | 180,000 | 435 | 22.10.05 |
| H Walker | 140,000 | - | 140,000 | 275 | 30.09.02 | 29.09.09 |
| | 140,000 | - | 140,000 | 273 | 27.10.03 | 26.10.10 |
| | 120,000 | - | 120,000 | 330 | 01.11.04 | 31.10.11 |
| | - | 120,000 | - | 120,000 | 435 | 22.10.05 |
| S J Boyes | 20,000 | - | 20,000 | 222 | 11.12.00 | 10.12.07 |
| | 30,000 | - | 30,000 | 205 | 15.10.01 | 14.10.08 |
| | 30,000 | - | 30,000 | 275 | 30.09.02 | 29.09.09 |
| | 30,000 | - | 30,000 | 273 | 27.10.03 | 26.10.10 |
| | 120,000 | - | 120,000 | 330 | 01.11.04 | 31.10.11 |
| - | 120,000 | - | 120,000 | 435 | 22.10.05 | 21.10.12 |
| C A Dearlove | 65,000 | - | * 65,000 | 271 | 26.04.99 | 25.04.06 |
| | 120,000 | - | 120,000 | 222 | 11.12.00 | 10.12.07 |
| | 70,000 | - | 70,000 | 205 | 15.10.01 | 14.10.08 |
| | 140,000 | - | 140,000 | 275 | 30.09.02 | 29.09.09 |
| | 140,000 | - | 140,000 | 273 | 27.10.03 | 26.10.10 |
| | 120,000 | - | 120,000 | 330 | 01.11.04 | 31.10.11 |
| - | 120,000 | - | 120,000 | 435 | 22.10.05 | 21.10.12 |
| P R Gieron | 140,000 | - | 140,000 | 275 | 30.09.02 | 29.09.09 |
| | 140,000 | - | 140,000 | 273 | 27.10.03 | 26.10.10 |
| | 120,000 | - | 120,000 | 330 | 01.11.04 | 31.10.11 |
| | - | 120,000 | - | 120,000 | 435 | 22.10.05 |
| G K Hester | 30,000 | - | 30,000 | 275 | 30.09.02 | 29.09.09 |
| | 140,000 | - | 140,000 | 273 | 27.10.03 | 26.10.10 |
| | 120,000 | - | 120,000 | 330 | 01.11.04 | 31.10.11 |
| | - | 120,000 | - | 120,000 | 435 | 22.10.05 |

* Granted under the 1986 Executive Share Option Scheme

The mid-market share price of the company was 420.25p on 1st July 2002 and 432.00p as at 30th June 2003. The mid-market high and low share prices of the company during the year were 479.00p and 335.00p respectively. No options of directors in office at 30th June 2003 lapsed unexercised during the year.

There were no changes in the interests of the directors shown above between 1st July 2003 and the 24th September 2003.

On behalf of the Board
A E Kilburn OBE
Chairman of the Remuneration Committee



9th October 2003

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 30th June 2003

| | Note | 2003 £m | 2002 £m |
|---|------|------------|------------|
| GROUP TURNOVER | | 2,171.0 | 1,799.4 |
| OPERATING PROFIT | 1 | 298.7 | 227.9 |
| NET INTEREST PAYABLE | 4 | (10.0) | (7.9) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | 288.7 | 220.0 |
| TAXATION | 5 | (82.3) | (61.9) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 6 | 206.4 | 158.1 |
| DIVIDENDS | 7 | (40.2) | (33.3) |
| RETAINED PROFIT | 19 | 166.2 | 124.8 |
| EARNINGS PER SHARE - BASIC | 9 | 89.1p | 68.6p |
| EARNINGS PER SHARE - DILUTED | 9 | 88.2p | 67.7p |

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.

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 30th June 2003

| | 2003 £m | 2002 £m |
|--|------------|------------|
| Profit on ordinary activities after taxation | 206.4 | 158.1 |
| Exchange adjustments | (3.0) | (2.1) |
| Total gains and losses recognised since last annual report | 203.4 | 156.0 |

GROUP BALANCE SHEET

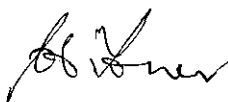
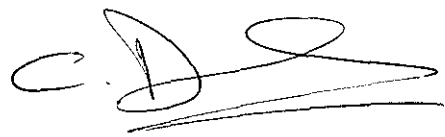
at 30th June 2003

| | Note | 2003 £m | 2002 £m |
|---|------|----------------|----------------|
| FIXED ASSETS | | | |
| Tangible assets | 10 | 11.0 | 2.4 |
| Investments: interest in own shares | 11 | 15.8 | 17.7 |
| | | 26.8 | 20.1 |
| CURRENT ASSETS | | | |
| Properties held for sale | | 7.7 | 6.1 |
| Stocks | 12 | 1,730.7 | 1,451.3 |
| Debtors due within one year | 13 | 37.0 | 26.4 |
| Debtors due after more than one year | 13 | 0.5 | 0.5 |
| Bank and cash | | 121.4 | 131.8 |
| | | 1,897.3 | 1,616.1 |
| CURRENT LIABILITIES | | | |
| Creditors due within one year | 14 | (922.4) | (753.3) |
| | | 974.9 | 862.8 |
| NET CURRENT ASSETS | | | |
| | | 1,001.7 | 882.9 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| CREDITORS DUE AFTER MORE THAN ONE YEAR | 15 | (77.0) | (123.4) |
| | | 924.7 | 759.5 |
| NET ASSETS | | | |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 23.9 | 23.8 |
| Share premium | 19 | 187.1 | 185.2 |
| Profit and loss account | 19 | 713.7 | 550.5 |
| | | 924.7 | 759.5 |
| EQUITY SHAREHOLDERS' FUNDS | | | |
| | 20 | 924.7 | 759.5 |

Approved by the Board on 9th October 2003

C G Toner
C A Dearlove

} Directors

GROUP CASH FLOW STATEMENT

for the year ended 30th June 2003

| | Note | 2003 £m | 2002 £m |
|---|------|------------|------------|
| CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES | 21 | 112.6 | 144.2 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | | 0.8 | 1.4 |
| Interest paid | | (11.1) | (10.2) |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | (10.3) | (8.8) |
| TAXATION | | (77.7) | (59.7) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | | |
| Purchase of tangible fixed assets | | (9.4) | (1.1) |
| Disposal/(purchase) of investments : interest in own shares | | 1.9 | (6.0) |
| NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | (7.5) | (7.1) |
| ACQUISITIONS AND DISPOSALS | | | |
| Sale of investment in joint venture | | - | 3.7 |
| NET CASH INFLOW FROM ACQUISITIONS AND DISPOSALS | | - | 3.7 |
| EQUITY DIVIDENDS PAID | | (34.3) | (30.8) |
| CASH (OUTFLOW)/INFLOW BEFORE FINANCING | | (17.2) | 41.5 |
| FINANCING | | | |
| Issue of ordinary share capital | | 2.1 | 5.6 |
| Increase in debt due after more than one year | | 10.3 | - |
| NET CASH INFLOW FROM FINANCING | | 12.4 | 5.6 |
| (DECREASE)/INCREASE IN CASH IN THE YEAR | | (4.8) | 47.1 |
| RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS | | | |
| | | 2003 £m | 2002 £m |
| (Decrease)/increase in cash in the year | | (4.8) | 47.1 |
| Cash flow from increase in debt | | (10.3) | - |
| Change in net funds resulting from cash flows | | (15.1) | 47.1 |
| Exchange movements | | 2.1 | 2.6 |
| Movement in net funds in the year | | (13.0) | 49.7 |
| Net funds at beginning of year | | 94.6 | 44.9 |
| Net funds at end of year | 22 | 81.6 | 94.6 |

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 2003. The financial statements of subsidiary undertakings are consolidated from the date when control passed to the Group using the acquisition method of accounting. All transactions with subsidiaries and inter-company profits or losses are eliminated on consolidation. Prior to the introduction of Financial Reporting Standard Number 10, "Goodwill and intangible assets", goodwill arising on consolidation as a result of the acquisition of subsidiary undertakings was written off against reserves in the year of acquisition. This goodwill has not been reinstated in the balance sheet. Any goodwill written off against reserves will be charged to the profit and loss account in the event of the disposal of the related business.
- (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 depreciated on a straight line basis over twenty five years. 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 installments over the life of the lease.
- (h) **Exchange translations**
Foreign currency assets and liabilities are translated into sterling at rates of exchange ruling at the year end. Trading results are translated at the average rate prevailing during the relevant period. Differences arising on the re-translation of the net investment and the results for the year are taken directly to reserves together with the differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign subsidiary undertakings. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.
- (i) **Deferred taxation**
Deferred tax is recognised in respect of all timing 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.
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 is measured on a non-discounted basis.
- (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.
- (k) **Fixed asset investments**
Fixed asset investments are recorded at historic cost less any provision for permanent diminution in value.

Notes to the Accounts

1. OPERATING PROFIT

| | 2003 £m | 2002 £m |
|-------------------------|--------------|--------------|
| Group turnover | 2,171.0 | 1,799.4 |
| Cost of sales | (1,814.9) | (1,516.1) |
| Gross profit | 356.1 | 283.3 |
| Administrative expenses | (57.4) | (55.4) |
| | 298.7 | 227.9 |

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2003 £m | 2002 £m |
|---|------------|------------|
| After charging: | | |
| Depreciation – tangible owned fixed assets | 0.8 | 0.6 |
| Operating lease charges – hire of plant, machinery and vehicles | 16.5 | 14.2 |
| – other | 2.6 | 2.3 |
| Auditors' remuneration – audit services | 0.2 | 0.2 |
| (company: £3,500 – (2002 £3,500)) | | |

Auditor's remuneration for non-audit services in the year amounted to £117,300 (company £69,925), (2002 £52,000 (company: £52,000)).

The profit on ordinary activities before taxation is stated after charging the directors' emoluments disclosed in the Remuneration Report on page 34.

3. ANALYSIS BY GEOGRAPHICAL AREA

| | United Kingdom | | USA | | Total | |
|--------------------------|----------------|------------|------------|------------|------------|------------|
| | 2003 £m | 2002 £m | 2003 £m | 2002 £m | 2003 £m | 2002 £m |
| Group turnover by origin | 2,044.7 | 1,675.6 | 126.3 | 123.8 | 2,171.0 | 1,799.4 |
| Operating profit | 288.0 | 220.9 | 10.7 | 7.0 | 298.7 | 227.9 |
| Net assets | 887.3 | 727.8 | 37.4 | 31.7 | 924.7 | 759.5 |

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 housebuilding and development.

4. NET INTEREST PAYABLE

| | 2003 £m | 2002 £m |
|--|-------------|------------|
| Payable: On bank loans, bills and overdrafts | 10.6 | 9.4 |
| Less: Receivable | (0.6) | (1.5) |
| | 10.0 | 7.9 |

Notes to the Accounts

5. TAXATION

| | 2003 £m | 2002 £m |
|--|------------|------------|
| ANALYSIS OF CHARGE IN YEAR | | |
| Current tax: | | |
| UK corporation tax on profits of the period | 85.4 | 63.6 |
| Adjustment in respect of previous periods | 2.2 | (0.2) |
| | 87.6 | 63.4 |
| Deferred tax: | | |
| Origination and reversal of timing differences | (5.3) | (1.5) |
| | 82.3 | 61.9 |

FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

| | 2003 £m | 2002 £m |
|---|------------|------------|
| Profit on ordinary activities before taxation | 288.7 | 220.0 |
| Profit on ordinary activities before tax at a rate of 30% | 86.6 | 66.0 |
| Expenses not deductible for tax purposes | 0.4 | 0.2 |
| Additional tax relief for land remediation costs | (0.3) | (0.2) |
| Benefit of tax losses | (1.8) | (2.4) |
| Other timing differences | 0.5 | - |
| Adjustments to tax charge in respect of previous periods | 2.2 | (0.2) |
| Current tax charge for the year | 87.6 | 63.4 |

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Group has not recognised deferred tax assets amounting to £8.9m (2002 £18.2m) arising from timing differences and losses brought forward in the US as it is more likely than not that these amounts will not be recovered in the short term. Other than the potential availability of these unprovided tax losses and other timing differences, there are no factors that are expected to significantly affect the taxation charges for future years.

6. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

Of the profit attributable to shareholders, £84.9m (2002 £63.2m) is dealt with in the accounts of the company. In accordance with the provisions of Section 230 of the Companies Act 1985 a separate profit and loss account for the company is not presented.

7. DIVIDENDS

| | 2003 £m | 2002 £m |
|---|------------|------------|
| Interim 4.94p per share paid (2002 4.49p) | 11.4 | 10.4 |
| Second interim nil p per share (2002 9.89p) | - | 22.9 |
| Final 12.32p per share (2002 nil p) | 28.8 | - |
| | 40.2 | 33.3 |

8. EMPLOYEES

| | 2003 £m | 2002 £m |
|---|------------|------------|
| The average number of persons employed by the Group in building and development, excluding sub-contractors, was 4,202 (2002 3,978). | | |
| Employee costs (including directors) comprise: | | |
| Wages and salaries | 114.1 | 101.5 |
| Social security | 10.5 | 8.8 |
| Pension costs | 8.0 | 4.2 |
| | 132.6 | 114.5 |

Notes to the Accounts

8. EMPLOYEES continued

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 2001. The actuarial assumptions are that the investment return will be 1.9% per annum above annual salary growth. The market value of the assets of the scheme on 1st December 2001 was £75.9m. Their actuarial value represented 72% of the value of benefits for service to the date of the review allowing for future salary increases.

In deriving a pension cost, the shortfall 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 shortfall is spread over a shorter period as a level percentage of members' salaries.

As a result of the actuarial valuation at 1st December, 2001 employer contributions to the Scheme increased with effect from 1st December, 2002. Normal annual contributions increased from £3.9m per annum to £6.6m per annum. In this regard, with effect from 1st December, 2002, the Company's UK employer contribution was increased to 15.2% of pensionable salary. The Group has also agreed to strengthen the Scheme's funding by additional contributions of £2.1m per annum for 10 years, starting in 2003. The actual additional contribution made in each year will be reviewed annually in the light of actuarial advice. Furthermore during 2003 the employer contribution rate will be increased to 18.2%.

Since the end of the financial year a review of the investment strategy for the Scheme has also been completed. In order to control risk the target asset allocation for the Scheme has been amended and now comprises 60% equities and 40% bonds and gilts.

The defined benefit final salary section of the pension scheme closed to new members on 1st July 2001 and was replaced by a defined contribution section of the Scheme for new employees. Under the projected unit method of valuation the current service cost will increase as members approach retirement.

The total UK employer contribution in respect of both Schemes for the year ended 30th June 2003 amounted to £5.3m (2002 £4.0m), while the amount charged to the profit and loss account was £8.0m (2002 £4.2m). This increased the balance sheet accrual of £3.3m at the year ended 30th June 2002 to £6.0m at 30th June 2003.

9. EARNINGS PER SHARE

Basic earnings per ordinary share is based on the profit after taxation of £206,400,000 (2002 £158,100,000) and the weighted average number of ordinary shares in issue and ranking for dividend during the year (excluding those held by the Barratt Developments Employee Benefit Trust) of 231,641,125 (2002 230,518,421). For diluted earnings per share, the weighted average number of shares in issue and ranking for dividend is adjusted to assume the conversion of all dilutive potential shares. The effect of the dilutive potential shares is 2,253,881 (2002 3,008,294), this gives a diluted weighted average number of shares of 233,895,006 (2002 233,526,715).

10. TANGIBLE FIXED ASSETS

| | Group | | |
|---|----------------------------|-------------|-------------|
| | Freehold property £m | Plant £m | Total £m |
| Cost | | | |
| At 1st July 2002 | 1.2 | 5.1 | 6.3 |
| Additions | 5.9 | 3.5 | 9.4 |
| Disposals | – | (0.5) | (0.5) |
| At 30th June 2003 | 7.1 | 8.1 | 15.2 |
| Accumulated depreciation | | | |
| At 1st July 2002 | – | 3.9 | 3.9 |
| Charge for the year | 0.1 | 0.7 | 0.8 |
| Disposals | – | (0.5) | (0.5) |
| At 30th June 2003 | 0.1 | 4.1 | 4.2 |
| Net book value at 30th June 2003 | 7.0 | 4.0 | 11.0 |
| Net book value at 30th June 2002 | 1.2 | 1.2 | 2.4 |

Notes to the Accounts

11. FIXED ASSET INVESTMENTS

a) Investment in own shares

| Group and Company | £m |
|--|-------------|
| Cost and net book value | |
| At 1st July 2002 | 17.7 |
| Disposals in satisfaction of options exercised | (1.9) |
| At 30th June 2003 | 15.8 |

The interest in own shares comprises 5,451,140 ordinary shares in Barratt Developments PLC purchased by the Barratt Developments Employee Benefit Trust to satisfy awards made under the company's employee and executive share option plans. On 30th June 2003 the cost of these shares was 289.5 pence per share and the market value was 432.0 pence per share. The dividends on the shares have been waived. Details of the employee and executive share option plans are included in note 18 to the accounts on page 45.

b) Investment in subsidiary undertakings

The company has shareholdings at a cost of £60.7m (2002 £60.7m).

The principal subsidiary undertakings are:

| | |
|-------------------------------|--|
| Barratt Homes Limited | } All of the subsidiary undertakings' principal activities are housebuilding and development. All are registered in England and Wales except those marked: * which is registered in Scotland ** which is registered in USA. All of the shares are wholly owned by the parent except that marked † which is wholly owned by a subsidiary undertaking. |
| KingsOak Homes Limited | |
| Barratt Construction Limited* | |
| Barratt Commercial Limited | |
| Barratt American Inc †** | |

A full list of subsidiary undertakings will be annexed to the Company's next annual return.

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12. STOCKS

| Group | 2003 £m | 2002 £m |
|--|----------------|----------------|
| Work in progress | 1,635.3 | 1,321.5 |
| Showhouse complexes and houses awaiting legal completion | 95.4 | 129.8 |
| | 1,730.7 | 1,451.3 |

13. DEBTORS

| | Group | | Company | |
|----------------------------------|-------------|-------------|------------|------------|
| | 2003 £m | 2002 £m | 2003 £m | 2002 £m |
| Due within one year | | | | |
| Secured loans | 0.1 | 0.1 | - | - |
| Trade debtors | 7.3 | 5.4 | 0.2 | - |
| Amounts recoverable on contracts | 4.0 | 4.4 | - | - |
| Other debtors | 13.5 | 10.5 | 1.3 | 0.1 |
| Prepayments | 3.8 | 3.0 | 0.1 | 0.2 |
| Deferred taxation | 8.3 | 3.0 | 2.7 | - |
| | 37.0 | 26.4 | 4.3 | 0.3 |
| Due after more than one year | | | | |
| Secured loans | 0.3 | 0.1 | - | - |
| Other debtors | 0.2 | 0.4 | - | - |
| | 0.5 | 0.5 | - | - |
| | 37.5 | 26.9 | 4.3 | 0.3 |

The analysis of deferred tax is disclosed in note 17.

Notes to the Accounts

14. CREDITORS DUE WITHIN ONE YEAR

| | Group | | Company | |
|--|--------------|--------------|-------------|-------------|
| | 2003 £m | 2002 £m | 2003 £m | 2002 £m |
| Bank loans and overdrafts | 5.3 | 10.9 | - | 2.9 |
| Trade creditors (including deferred land payments) | 604.1 | 474.7 | 0.8 | 0.3 |
| Payments on account | 19.6 | 10.4 | - | - |
| Corporation tax | 50.4 | 40.5 | 5.3 | 3.3 |
| Other taxation and social security | 7.1 | 4.1 | 1.0 | - |
| Other creditors | 29.1 | 22.2 | 0.9 | 3.3 |
| Accruals and deferred income | 178.0 | 167.6 | 12.6 | 5.6 |
| Dividend | 28.8 | 22.9 | 28.8 | 22.9 |
| | 922.4 | 753.3 | 49.4 | 38.3 |

15. CREDITORS DUE AFTER MORE THAN ONE YEAR

| | Group | | Company | |
|--|-------------|--------------|------------|------------|
| | 2003 £m | 2002 £m | 2003 £m | 2002 £m |
| Bank loans and overdrafts | 34.5 | 26.3 | - | - |
| Trade creditors (including deferred land payments) | 42.5 | 97.1 | - | - |
| | 77.0 | 123.4 | - | - |

Total creditors include £59.5m (2002 £64.4m), secured by legal charges on certain assets of the Group.

16. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise borrowings, cash and various items such as trade debtors, trade creditors, etc. that arise directly from its operations, the main purpose of which is to raise finance for the Group's operations. The Board reviews and agrees policies for treasury management, which have remained unchanged throughout the year. It is not Group policy to trade in financial instruments.

The Group finances its operations through a mixture of shareholders' funds and borrowings. To ensure flexibility, the majority of the borrowings are made under pre-arranged revolving credit facilities. The Group has one significant overseas subsidiary undertaking, Barratt American Inc., which operates in the USA and whose revenues and expenses are denominated exclusively in US dollars. In order to protect the Group's sterling balances from the movements in the US dollar/sterling exchange rate, the Group finances its net investment in this subsidiary undertaking by means of US dollar borrowings.

All short-term debtors and creditors have been, as permitted, excluded from the disclosure requirements of Financial Reporting Standard Number 13. The secured loans and other debtors of £0.5m (2002 £0.5m) due after more than one year are payable between two and five years and are non-interest bearing. The bank loans and overdrafts due after more than one year are repayable between two and five years.

The interest rate profile of the financial liabilities is: £13.6m (2002 £4.0m) sterling, floating rate linked to the UK bank base rate; £26.2m (2002 £33.2m) US dollars, floating rate linked to either the US prime rate or Libor, decided by the Group prior to any drawdown of the facilities; £42.5m (2002 £97.1m) sterling, non-interest bearing, the weighted average period to maturity being 2.5 years.

Sterling cash deposits of £75.1m (2002 £120.1m) comprise deposits placed on money markets at call at floating rates of interest.

The undrawn committed borrowing facilities are: £118.8m (2002 £312.8m) expiring in one year or less, £57.9m (2002 £9.5m) expiring in more than one year but not more than two years, £368.5m (2002 £31.8m) expiring in more than two years.

There is no material difference between book value and the fair value of the Group's financial assets and financial liabilities as at 30th June 2003.

17. DEFERRED TAXATION

| DEFERRED TAX ASSET | Group | |
|--|------------|------------|
| | 2003 £m | 2002 £m |
| Deferred tax assets comprise: | | |
| Accelerated capital allowances | 0.2 | 0.1 |
| Short term timing differences | 4.5 | 1.0 |
| Losses | 3.6 | 1.9 |
| Deferred tax asset | 8.3 | 3.0 |
| Balance at 1st July 2002 | 3.0 | |
| Amount credited to profit and loss account | 5.3 | |
| Balance at 30th June 2003 | 8.3 | |

Notes to the Accounts

18. CALLED UP SHARE CAPITAL

| | 2003 £m | 2002 £m |
|---|------------|------------|
| Authorised 300,000,000 ordinary shares of 10p each | 30.0 | 30.0 |
| Allotted and issued ordinary shares of 10p each | | |
| Fully paid – 238,431,250 ordinary shares (2002 237,592,250) | 23.9 | 23.8 |

The issued share capital of the company was increased during the year to 238,431,250 ordinary shares of 10p each by the issue of 839,000 ordinary shares of 10p each for a cash consideration of £2,059,565 in satisfaction of options duly exercised in accordance with the rules of the share option scheme and the share option plans.

As at 30th June 2003 the following options issued in accordance with the rules of the executive share option scheme, executive share option plan and the employee share option plan were outstanding:

| Date of grant | Option price | Directors | Senior executives | Other employees | Not exercisable after |
|----------------------------------|--------------|-----------|-------------------|-----------------|-----------------------|
| a) Executive share option scheme | | | | | |
| 27.09.94 | 171p | – | 73,866 | – | 26.09.04 |
| 26.04.96 | 271p | 65,000 | – | – | 25.04.06 |
| b) Executive share option plan | | | | | |
| 11.12.97 | 222p | 140,000 | 245,000 | – | 10.12.07 |
| 15.10.98 | 205p | 100,000 | 210,000 | – | 14.10.08 |
| 30.09.99 | 275p | 620,000 | 428,000 | – | 29.09.09 |
| 27.10.00 | 273p | 730,000 | 884,000 | – | 26.10.10 |
| 01.11.01 | 330p | 720,000 | 959,000 | – | 31.10.11 |
| 22.10.02 | 435p | 780,000 | 1,300,000 | – | 21.10.12 |
| c) Employee share option plan | | | | | |
| 10.04.00 | 240p | – | – | 230,500 | 09.04.10 |
| 29.03.01 | 315p | – | – | 873,500 | 28.03.11 |
| 25.04.02 | 470p | – | – | 1,215,000 | 24.04.12 |

In November 1999 the company adopted an employee share option plan. The Board approves the grant of share options to employees under the plan which are normally exercisable between 3 and 10 years from the date of grant. The exercise of the options granted under the plan are subject to the achievement of an objective performance condition set by the Board, namely that the growth in the basic earnings per share of the company over a period of three consecutive financial years should exceed the growth in the Retail Price Index by at least 9 per cent.

Those who have participated in the executive share option plan do not participate in the employee share option plan.

19. RESERVES

| | Share premium £m | Profit retained £m | Total £m |
|--|---------------------|-----------------------|--------------|
| Group | | | |
| At 1st July 2002 | 185.2 | 550.5 | 735.7 |
| Premium on issue of ordinary equity shares under share options | 1.9 | – | 1.9 |
| Profit and loss account | – | 166.2 | 166.2 |
| Exchange adjustments | – | (3.0) | (3.0) |
| At 30th June 2003 | 187.1 | 713.7 | 900.8 |
| Company | | | |
| At 1st July 2002 | 185.2 | 164.4 | 349.6 |
| Premium on issue of ordinary equity shares under share options | 1.9 | – | 1.9 |
| Profit and loss account | – | 44.7 | 44.7 |
| At 30th June 2003 | 187.1 | 209.1 | 396.2 |

Notes to the Accounts

20. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

| | 2003 £m | 2002 £m |
|--|------------|------------|
| Profit on ordinary activities after taxation | 206.4 | 158.1 |
| Dividends | (40.2) | (33.3) |
| | 166.2 | 124.8 |
| Exchange adjustments | (3.0) | (2.1) |
| New share capital subscribed (including premium) | 2.0 | 5.7 |
| Net addition to equity shareholders' funds | 165.2 | 128.4 |
| Opening equity shareholders' funds | 759.5 | 631.1 |
| Closing equity shareholders' funds | 924.7 | 759.5 |

21. CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES

| | 2003 £m | 2002 £m |
|--------------------------------------|------------|------------|
| Operating profit | 298.7 | 227.9 |
| Depreciation charges | 0.8 | 0.6 |
| Increase in properties held for sale | (1.6) | (1.2) |
| Increase in stocks | (286.3) | (280.9) |
| Increase in debtors | (5.6) | (1.7) |
| Increase in creditors | 106.6 | 199.5 |
| | 112.6 | 144.2 |

22. ANALYSIS OF NET FUNDS/(DEBT)

| | 2003 £m | Cash flow £m | Exchange movement £m | 2002 £m | Cash flow £m | Exchange movement £m | 2001 £m |
|-----------------------------------|------------|--------------------|----------------------------|------------|--------------------|----------------------------|------------|
| Cash at bank and in hand | 121.4 | (10.0) | (0.4) | 131.8 | 45.5 | (0.3) | 86.6 |
| Overdrafts | (5.3) | 5.2 | 0.4 | (10.9) | 1.6 | 0.8 | (13.3) |
| | 116.1 | (4.8) | - | 120.9 | 47.1 | 0.5 | 73.3 |
| Debt due after more than one year | (34.5) | (10.3) | 2.1 | (26.3) | - | 2.1 | (28.4) |
| Total | 81.6 | (15.1) | 2.1 | 94.6 | 47.1 | 2.6 | 44.9 |

23. OPERATING LEASE OBLIGATIONS

| | Group | | | |
|---|-----------------------------|-------------|-----------------------------|-------------|
| | 2003 | | 2002 | |
| | Land and buildings £m | Other £m | Land and buildings £m | Other £m |
| Annual commitments under non-cancellable operating leases which expire: | | | | |
| Within one year | 0.3 | 2.0 | 0.4 | 1.4 |
| Between two and five years | 1.2 | 3.8 | 1.3 | 4.4 |
| In five years or more | 0.8 | - | 0.7 | 0.1 |
| | 2.3 | 5.8 | 2.4 | 5.9 |

Notes to the Accounts

24. CONTINGENT LIABILITIES

The company has guaranteed certain bank borrowings of its subsidiary undertakings, amounting to £30.4m at the year end (2002 £37.8m).

25. RELATED PARTY TRANSACTIONS

A number of partners of the firm of solicitors Field Cunningham & Co, one of whom is Mr P H Ashworth, perform development related legal work for four of the thirty two operating divisions of the Group. The firm also performs some general legal work for 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 2003 was £591,180 (2002 £625,595) of which £85,415 (2002 £96,285) was outstanding at the year end.

In accordance with the provisions of Financial Reporting Standard Number 8, Related Party Disclosures, details of transactions with subsidiary undertakings are not disclosed.

26. RETIREMENT BENEFITS

a) DEFINED CONTRIBUTION SCHEME

The Group operates a defined contribution scheme for new employees. The service cost of this scheme for the period was £0.4m (2002 £0.2m). At the balance sheet date there were outstanding contributions of £0.1m (2002 nil) which were paid on or before the due date.

b) DEFINED BENEFIT SCHEME

The Group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 1st December 2001 and updated to 30th June 2003 by a qualified independent actuary. The defined benefit scheme is closed to new entrants. The projected unit method has been used to calculate the current service cost. This will rise over time (as a percentage of payroll) as the members of the scheme approach retirement. At the balance sheet date there were outstanding contributions of £0.7m (2002 £0.5m) which were paid on or before the due date.

The method and major assumptions used by the actuary were (in nominal terms):

| | 30th June 2003 Projected unit | 30th June 2002 Projected unit | 30th June 2001 Projected unit |
|---|----------------------------------|----------------------------------|----------------------------------|
| Valuation method | | | |
| Inflation rate | 2.60% | 2.70% | 2.50% |
| Salary increase | 4.60% | 4.70% | 4.50% |
| Rate of increase: for pensions in payment | 2.60% | 2.70% | 2.50% |
| for deferred pensions | 2.60% | 2.70% | 2.50% |
| Discount rate | 5.25% | 5.80% | 6.25% |

| SCHEME ASSETS | Long term rate of return at 30th June 2003 | Value at 30th June 2003 £m | Long term rate of return at 30th June 2002 | Value at 30th June 2002 £m | Long term rate of return at 30th June 2001 | Value at 30th June 2001 £m |
|------------------------------|--|----------------------------------|--|----------------------------------|--|----------------------------------|
| Equities | 7.00% | 59.0 | 7.70% | 60.2 | 7.75% | 64.4 |
| Bonds | 5.25% | 9.3 | 5.80% | 11.1 | 6.25% | 12.2 |
| Other | 4.50% | 5.1 | 5.00% | 2.2 | 5.25% | 2.5 |
| Market value of assets | | 73.4 | | 73.5 | | 79.1 |
| Present value of liabilities | | (139.0) | | (112.4) | | (88.7) |
| Deficit | | (65.6) | | (38.9) | | (9.6) |
| Deferred tax asset | | 19.7 | | 11.7 | | 2.9 |
| Net pension deficit | | (45.9) | | (27.2) | | (6.7) |

| GROUP NET ASSETS | 2003 Group £m | 2002 Group £m |
|--|---------------------|---------------------|
| Net assets excluding net pension deficit | 924.7 | 759.5 |
| SSAP24 adjustment | 6.0 | 3.3 |
| Deferred tax | (1.8) | - |
| Net pension deficit | (45.9) | (27.2) |
| Net assets including net pension deficit | 883.0 | 735.6 |

| GROUP PROFIT AND LOSS RESERVES | 2003 Group £m | 2002 Group £m |
|---|---------------------|---------------------|
| Net profit and loss reserve excluding net pension deficit | 713.7 | 550.5 |
| SSAP24 adjustment | 6.0 | 3.3 |
| Deferred tax | (1.8) | - |
| Net pension deficit | (45.9) | (27.2) |
| Profit and loss reserve including net pension deficit | 672.0 | 526.6 |

Notes to the Accounts

26. RETIREMENT BENEFITS (continued)

AMOUNT CHARGEABLE TO OPERATING PROFIT IN RESPECT OF DEFINED BENEFIT SCHEME

| | Year to 30th June 2003 £m | Year to 30th June 2002 £m |
|----------------------|---------------------------------|---------------------------------|
| Current service cost | 4.4 | 4.2 |
| Past service cost | - | - |
| | 4.4 | 4.2 |

| | Year to 30th June 2003 £m | Year to 30th June 2002 £m |
|--|---------------------------------|---------------------------------|
| NET RETURN ON PENSION SCHEME | | |
| Expected return on pension scheme assets | 5.6 | 6.0 |
| Interest on pension liabilities | (6.6) | (5.7) |
| Net return | (1.0) | 0.3 |

AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

| | Year to 30th June 2003 £m | Year to 30th June 2002 £m |
|--|---------------------------------|---------------------------------|
| Actual return less expected return on assets | (10.9) | (15.7) |
| Experience gains and losses on liabilities | 0.3 | 0.4 |
| Changes in assumptions | (15.9) | (13.7) |
| Actuarial loss recognised in STRGL | (26.5) | (29.0) |
| Adjustment due to surplus cap | - | - |
| Net loss recognised | (26.5) | (29.0) |

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| | Year to 30th June 2003 £m | Year to 30th June 2002 £m |
|--|---------------------------------|---------------------------------|
| MOVEMENT IN DEFICIT DURING THE YEAR | | |
| Deficit in scheme at beginning of year | (38.9) | (9.6) |
| Movement in year: | | |
| Current service cost | (4.4) | (4.2) |
| Contributions | 5.2 | 3.6 |
| Past service costs | - | - |
| Net return on assets | (1.0) | 0.3 |
| Actuarial loss | (26.5) | (29.0) |
| Deficit in scheme at end of year | (65.6) | (38.9) |

| | Year to 30th June 2003 £m | Year to 30th June 2002 £m |
|--|---------------------------------|---------------------------------|
| HISTORY OF EXPERIENCE GAINS AND LOSSES | | |
| Difference between expected and actual return on scheme assets: | | |
| amount (£m) | (10.9) | (15.7) |
| percentage of scheme assets | (15%) | (21%) |
| Experience gains and losses on scheme liabilities: | | |
| amount (£m) | (0.3) | (0.4) |
| percentage of scheme liabilities | (1%) | (1%) |
| Total amount recognised in statement of total recognised gains and losses: | | |
| amount (£m) | (26.5) | (29.0) |
| percentage of scheme liabilities | 19% | 26% |

COMPANY BALANCE SHEET

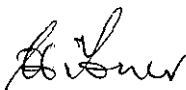
at 30th June 2003

| | Note | 2003 £m | 2002 £m |
|---|------|--------------|--------------|
| FIXED ASSETS | | | |
| Investment in subsidiary undertakings | 11 | 60.7 | 60.7 |
| Investments: interest in own shares | 11 | 15.8 | 17.7 |
| | | 76.5 | 78.4 |
| CURRENT ASSETS | | | |
| Debtors due from subsidiary undertakings within one year | | 294.4 | 215.4 |
| Debtors due from subsidiary undertakings after more than one year | | 61.6 | 61.6 |
| Other debtors due within one year | 13 | 4.3 | 0.3 |
| Bank and cash | | 78.6 | 122.0 |
| | | 438.9 | 399.3 |
| CURRENT LIABILITIES | | | |
| Creditors due to subsidiary undertakings within one year | | (45.9) | (66.0) |
| Other creditors due within one year | 14 | (49.4) | (38.3) |
| NET CURRENT ASSETS | | 343.6 | 295.0 |
| NET ASSETS | | 420.1 | 373.4 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 23.9 | 23.8 |
| Share premium | 19 | 187.1 | 185.2 |
| Profit and loss account | 19 | 209.1 | 164.4 |
| EQUITY SHAREHOLDERS' FUNDS | | 420.1 | 373.4 |

Approved by the Board on 9th October 2003

C G Toner
C A Dearlove

Directors




Five Year Record and Financial Calendar

FIVE YEAR RECORD

| Year | 2003 | 2002 | 2001 | 2000 | 1999 |
|-------------------------------|---------|---------|---------|---------|---------|
| Group turnover £m | 2,171.0 | 1,799.4 | 1,509.1 | 1,250.0 | 1,008.8 |
| Profit before tax £m | 288.7 | 220.0 | 178.4 | 143.9 | 112.0 |
| Share capital and reserves £m | 924.7 | 759.5 | 631.1 | 528.7 | 454.3 |
| Per ordinary share: | | | | | |
| Earnings (basic) pence | 89.1 | 68.6 | 55.1 | 43.3 | 33.1 |
| Dividend pence | 17.26 | 14.38 | 13.07 | 11.88 | 10.80 |
| Net assets pence | 388 | 320 | 269 | 226 | 195 |
| Dividend cover | 5.2 | 4.8 | 4.2 | 3.6 | 3.1 |

FINANCIAL CALENDAR

| Announcement of results: | | Dividends: | |
|--|---------------------|--------------------|--------------------|
| Half year | 26th March 2003 | Interim paid | 23rd May 2003 |
| Full year | 24th September 2003 | Final proposed | 21st November 2003 |
| Annual Report posted to shareholders 15th October 2003 | | | |
| Annual General Meeting | | 13th November 2003 | |

Independent Auditors' Report

Independent auditors' report to the members of Barratt Developments PLC

We have audited the financial statements which comprise the group profit and loss account, the group and company balance sheet, the group cash flow statement, the group statement of total recognised gains and losses and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the Chairman's statement, the Group Chief Executive's review and operational review.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

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Basis of audit opinion

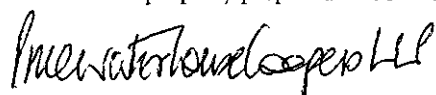
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements and the auditable part of the directors' remuneration report 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 financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the Group at 30th June 2003 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

9th October 2003
