



BARRATT
DEVELOPMENTS PLC

BUILDING FOR THE FUTURE



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

PERFORMANCE HIGHLIGHTS

- Group revenues up 14.1% to £2,323.4m (2011: £2,035.4m)
- Completions, excluding joint ventures, up 14.1% to 12,637 (2011: 11,078)
- Group operating profit before operating exceptional items up 41.6% to £191.1m (2011: £135.0m)
- Group operating margin before operating exceptional items in the second half was 9.5% (2011: 7.9%) and for the full year was 8.2% (2011: 6.6%)
- Private average selling price up 1.5% to £201,800 (2011: £198,900)
- Group profit before tax was £100.0m (2011: loss of £11.5m) after exceptional costs of £10.7m (2011: £54.2m)
- Year end net debt significantly reduced to £167.7m (2011: £322.6m)

Revenue

£2,323.4m
(2011: £2,035.4m)

Operating profit before operating exceptional items

£191.1m
(2011: £135.0m)

Net debt

£167.7m
(2011: £322.6m)

Notice regarding limitations on Director liability under English Law
Under the Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in and omissions from the Report of the Directors contained on pages 2 to 71. Under English Law the Directors would be liable to the Company (but not to any third party) if the Report of the Directors contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Report of the Directors
Pages 2 to 71 inclusive comprise the Report of the Directors which has been drawn up and presented in accordance with and in reliance upon English Company Law and liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Cautionary statement regarding forward-looking statements

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

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 For further information

 For further information see www.barrattddevelopments.co.uk



Front Cover: A handsome development of 1 to 5 bedroom homes in Kibworth, Leicestershire.



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VISIT OUR ONLINE REPORT AT:

<http://annualreport.barrattdevelopments.co.uk>



AT A GLANCE

ABOUT US

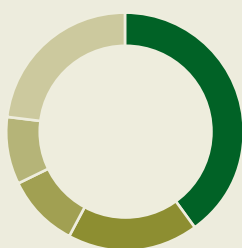
Barratt Developments PLC is one of the nation's largest housebuilders with around 4,500 employees and 25 divisions throughout Great Britain. In 2011/12 we sold over 12,500 homes. We operate across a broad spectrum of the market from flats to family homes and urban regeneration schemes. We also have a focused commercial developments business.



OUR HOMES

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

2011/12 completions by unit type

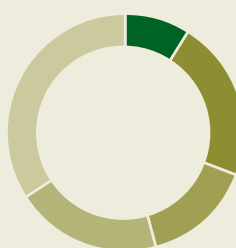


	%
1, 2, 3 bed small	40
3 bed large, 4 bed small	18
4 bed large, 5 and 6 bed detached	10
Flats (London)	9
Flats (non-London)	23

OUR CUSTOMERS

Our customers include first-time buyers, families, investors and Registered Social Landlords. Customer service and satisfaction are of paramount importance to us. Our local teams seek to ensure that our customers are satisfied with their new homes.

2011/12 completions by deal type



	%
Investor	9
Social	22
Part exchange	15
Shared equity	20
Other private	34



1. The Moore family purchased a 5 bedroom detached house at Farndon Fields, Market Harborough.

Our brands

Our housebuilding business trades under the Barratt Homes, David Wilson Homes and Ward Homes brands. Commercial developments are delivered by Wilson Bowden Developments.



Also see Land and Planning pages 24-25

OUR GEOGRAPHIC SPREAD

We are a national housebuilder committed to operating throughout Great Britain. Our commercial developments business also has a national footprint, with a particular focus on the Midlands and the North of England.

2011/12 completions by region

	Completions	Completions %
1 Northern	2,326	18%
2 Central	2,153	17%
3 East	2,359	19%
4 Southern	2,103	17%
5 London	1,233	10%
6 West	2,463	19%

We operate throughout Great Britain under the Barratt Homes and David Wilson Homes brands, and in Kent and the South East also under the Ward Homes brand. In 2011/12 we operated from an average of 387 active sites (2011: 364) across 25 divisions.

OUR DELIVERY

Our focus is on optimising selling prices, driving profitability and reducing debt, whilst ensuring we maintain sufficient land supply to meet the future needs of the business.

Completions

12,637
(2011: 11,078)

Operating profit before operating exceptional items

£191.1m
(2011: £135.0m)

Average selling price

£180,500
(2011: £178,300)

Owned and controlled land bank years (based on 2011/12 volumes)

4.3 years
(2011: 4.8 years)

OUR BUSINESS MODEL

THE WAY WE WORK

Our strategy remains to rebuild profitability and reduce overall indebtedness. This is underpinned by our business model of targeted land buying, delivering effective planning, designing outstanding homes backed by construction excellence and providing an industry-leading customer experience.

Increasing returns

We aim to deliver increasing returns for our shareholders.

Operating profit*:

£191.1m
Up 41.6%

2011: £135.0m

Targeted land buying

We aim to secure high margin land in targeted locations.

Proposed land acquisitions must meet profit and return on capital hurdles in order to receive Board approval.

Terms agreed plots in 2011/12:

12,085

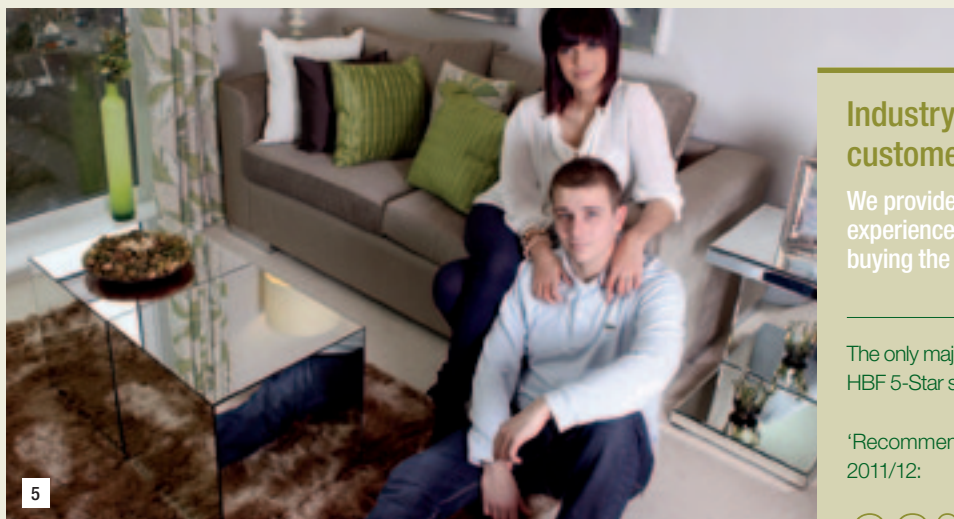
Industry leading customer experience

We provide a first class experience for customers buying the homes we build.

The only major housebuilder to win HBF 5-Star status three years running.

'Recommend us to a Friend' score 2011/12:

98%



5

* excluding operating exceptional items



4



1

1. An aerial photograph of our partnership scheme at Scotswood, Newcastle-upon-Tyne.
2. A public consultation undertaken in Cottenham by Barratt Eastern Counties in July 2011.
3. Showhomes at the energy-efficient Hanham Hall development in Bristol.
4. Holmesgate Place, Hayes.
5. First time buyers, Sophie Du Casse and Ian Wilson, Capstone Heights, Chatham.

Effective planning

We work closely with local communities and local authorities to deliver effective planning permissions.

Plots required for 2012/13 completions with a detailed planning consent:

96%



2

Outstanding design

We design homes and places where customers will aspire to live.

The Group won its latest design award in June 2012:

A-rating

awarded for innovative design by North West Leicestershire District Council to our Bentley Meadows scheme in Castle Donington.

Construction excellence and efficiency

We focus on improving quality and eliminating the cost of poor quality.

NHBC 'Pride in the Job' Quality Awards 2012:

76

We also offer an industry-leading five year Fixtures and Fittings warranty.



3

CHAIRMAN'S STATEMENT



ANOTHER YEAR OF SUBSTANTIAL PROGRESS

This has been a year of significantly improved financial performance for the Group, and we continue to lead the industry in levels of quality and customer service.

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

The market

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

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

Our performance

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



1. The Manning five bedroom showhome at Newberry Corner, Churchinford. A small development set in an attractive village in the Blackdown Hills, Taunton.

“For the third consecutive year the Group has been awarded Home Builder Federation 5-Star status. This is the highest achievable level in terms of customer satisfaction and recommendation.”

of further market improvement, are progressing well.

Ensuring that we achieve the best price for the homes that we build remains a priority and is dependent on getting the location, product mix, design, branding, quality, marketing of our homes and customer service absolutely right. We have continued to invest in all of these areas and our industry leadership in the way our sites are managed and the customer ratings we achieve have been externally acknowledged. For the third consecutive year the Group has been awarded Home Builder Federation (‘HBF’) 5-Star status. This is the highest achievable level in terms of customer satisfaction and recommendation. In addition, under the National House-Building Council (‘NHBC’) ‘Pride in the Job’ scheme our site managers have won more quality awards than any other housebuilder for the eighth consecutive year.

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

Investing in land for higher returns

The primary driver of the Group’s

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

Dividend policy

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

In addition, we remain committed to operating with an appropriate land bank and

continuing to reduce overall indebtedness.

The Board

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

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

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

Our employees

The rapid progress we have made this year, in a market that remains

challenging, is a great credit to the management of the Group and its employees. There is a wealth of experience within the leadership team, ably supported by our employees across the country. On behalf of the Board I would like to thank them for their commitment and outstanding contribution to the Group’s performance.

The future

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

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

Bob Lawson
CHAIRMAN

GROUP CHIEF EXECUTIVE'S REVIEW



SUSTAINED DELIVERY OF OBJECTIVES AND STRONG GROWTH

Our objectives of rebuilding profitability and reducing overall indebtedness have delivered a rapidly improving performance across the Group.

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

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

Performance

Group revenues for the year were up 14.1% to £2,323.4m



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

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

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

before tax and exceptional items increased by 159.3% to £110.7m (2011: £42.7m).

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

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

Our objectives

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

DELIVERING OUR OBJECTIVES

Our objectives are:

1

Rebuilding profitability

- Optimise selling prices
- Improve operational efficiency
- Targeted land buying

2

Reducing overall indebtedness

- Return cash on old land
- Reduced average investment per site

Also see Our Progress pages 16-17



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

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

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

Optimise selling prices

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

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

During the year we had higher sales rates across the Group with average net private reservations per active site per week increasing to 0.52 (2011: 0.44). Sales rates have been more consistent during

the year reflecting a greater stability in market conditions than we have seen for some time. We saw a particularly strong start to the 2012 spring selling season and took advantage of this to deliver additional completions from our older, lower margin land.

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

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

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

Improve operational efficiency

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

Our supply contracts for materials continue to be reviewed and renegotiated as appropriate, and we purchase an increasingly significant proportion of our materials centrally.





CASE STUDY

Delivering new land

At the edge of Coxhoe, a former mining village south of Durham, you will find our development 'The Limes', comprising 80 attractive houses with a mix of 2, 3 and 4 bedroom homes of traditional and contemporary design.

Today's bright future for the site, with both new housing and commercial use, disguises its chequered past. The site had remained derelict since 1980 after the closure of the Steetley Lime Works, which opened prior to the First World War. Before this, the site had also been used for mining and as a railway siding.

To develop the site was a challenge. Detailed investigations confirmed that the ground contained demolition debris and spoil heaps, underlain by glacial clays and coal seams, which had previously been worked at shallow depth.

Working in partnership with another local developer, we obtained planning permission for a mixed use development, and a comprehensive remediation programme was completed. This included the removal of contaminated debris, earthworks, the treatment of contaminated soil on site and the removal of Japanese Knotweed. A clay capping layer and top soil for the public open space and garden areas were also provided.

Today, 'The Limes' is set to become a thriving community. Coxhoe Village has a range of local amenities, including a school, shops and a medical centre, and it is also close to the A1(M) motorway for easy access to the major business centres of the North East and further afield. The good location and the quality of the development mean that, as at 30 June 2012, 36 of the houses have been sold and just over a third of the homes already occupied.



We continue to review our supply chain to create efficiencies by introducing new suppliers and altering build specifications where appropriate. Standard house-type costs are benchmarked across the Group continuously to ensure the lowest cost is achieved whilst maintaining the quality of our homes.

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

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

Targeted land buying

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

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

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

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

Land creditors due within the next 12 months total £368.1m (2011: £349.1m), with £358.0m (2011: £351.6m) due thereafter, and in overall terms these equate

Private average selling price

£201,800
(2011: £198,900)

Operating profit after exceptional items

£191.1m
(2011: £127.3m)

Agreed terms land purchases

£578.1m
(2011: £454.1m)





“In the year, more than a third of completions were from more recently acquired land and we continue to expect this proportion to increase to just above 50% in 2012/13...”

to 35% of our owned land bank. In the period to 30 June 2013, we expect land creditors to remain fairly constant as a proportion of the land bank, dependent upon the satisfaction of contractual conditions, for example, the grant of planning permission.

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

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

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

We have targeted a shorter land bank to improve capital efficiency and, as at 30 June 2012, the Group's owned land bank totalled 43,897 plots (2011: 47,917) with an additional 10,312 plots (2011: 12,166 plots) under conditional contracts, giving a total of 54,209 plots (2011: 60,083 plots). This equates to approximately 4.3 years (2011: 4.8 years) of owned and controlled land based on 2011/12 completion volumes. Over the next couple of years, we expect to maintain

our owned and unconditional land bank, when seen relative to prior year completion volumes, at around three-and-a-half years' supply, and the conditional land bank at around one year's supply. The land bank owned by Group joint ventures is 1,120 plots (2011: 1,625 plots).

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

Reducing overall indebtedness

Our second key objective is reducing overall indebtedness.

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

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

One of the key factors driving down debt has been the focus on

1. Derwenthorpe is a community of 64 contemporary, energy efficient homes on the outskirts of York, designed in partnership with the Joseph Rowntree Trust.
2. Showhome kitchen in the David Wilson Emerson house type – a 5 bedroom detached house at Haresfield Chase, Gloucester.

smaller sites of, on average, 110 plots predominantly for houses rather than flats. The new sites have greater potential for standardised product and lower infrastructure expenditure, which result in a significantly lower average investment per site.

Sizing our business and target funding structure

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

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

Government policy

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

The NewBuy mortgage indemnity scheme was subsequently introduced in March 2012 and has the potential to significantly improve the loan to value offered in the new build

sector. However, whilst initial customer interest has been promising, we will not be able to assess the scheme's full potential until the autumn selling season. The mortgage interest rates associated with the product will also be an important factor in determining its impact.

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

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

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

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

billion either using the Developer Panel approach or via the OJEU.

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

The mortgage market

The availability and affordability of mortgages is a key catalyst for underlying housing demand. The level of mortgage approvals has reduced dramatically from the peak seen in 2007, however we have seen a stabilisation of mortgage lending over the past couple of years.

The mortgage market for new build housing continues to be dominated by a limited number

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

The Government continues to stimulate the lending market



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

Partnership and joint venture opportunities

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

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

We have continued to bid for sites through the three area-based Development Partner Panels

(“DPPs”) that were established in 2010 by the Homes and Communities Agency. In the year we have been successful on three bids, and we are actively involved in six ongoing bids.

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

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

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

We have added to this portfolio with two more JVs:

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

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

Commercial developments

Commercial development revenue was £36.6m (2011: £49.2m).

This included revenue from the design and build of a foodstore in Warrington. The project was completed in April 2012.

Operating profit from the commercial development business during the year was £1.5m (2011: £0.8m).

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

Quality, service and design

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

Health, safety and the environment

The safety of our employees, contractors, customers and the wider community is fundamental to the way in which we operate. During the period, our Injury Incidence Rate (“IIR”) was 511 (2011: 539) per 100,000 persons employed, which is a 5% decrease year-on-year. We remain

committed to enhancing health and safety and have an Executive Health and Safety Committee, which reports to the Board, to drive further improvement.

We aim to secure a position as the lowest cost provider complying with the Code for Sustainable Homes (the ‘Code’). During the year we built 3,820 homes to Code Level 3 or above, of which 868 complied with Code Level 4. We are establishing improved and lower cost methods which allow us to continue to reduce the cost of compliance.

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

Outlook

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

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

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

Mark Clare
GROUP CHIEF EXECUTIVE

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

OUR PROGRESS

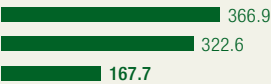
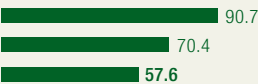
DELIVERING OUR OBJECTIVES

The overriding objectives that we have set for the business are to rebuild profitability and reduce overall indebtedness. We will do this through focusing on our key priorities of optimising prices, driving operational efficiencies, targeted land buying, reducing our average investment per site and unlocking cash on older land. Our progress in these areas is set out below.

REBUILDING PROFITABILITY:

OBJECTIVE	PROGRESS	KEY PERFORMANCE INDICATOR
Optimising prices We are focused upon margin improvement through optimising selling prices not pursuing volumes.	The average private selling price of our homes was £201,800 (2011: £198,900), an increase of 1.5% due to mix changes.	Private average selling price £'000 10  185.2 11  198.9 12  201.8
Operational efficiency We continue to focus upon ensuring operational efficiency, including controlling costs throughout the business.	Profit from operations before operating exceptional items was £191.1m (2011: £135.0m), an increase of 41.6%. Operating margin on the same basis was 8.2% (2011: 6.6%).	Operating margin before operating exceptional items % 10  4.4 11  6.6 12  8.2
Targeted land buying We are investing in land which we expect to deliver attractive returns in the future.	During the year we have agreed terms on £578.1m of land purchases (2011: £454.1m), which equates to 12,085 (2011: 8,861) plots. Land additions during the year were £475m (2011: £395m).	Owned and controlled land bank Plots 10  62,340 11  60,083 12  54,209

REDUCING OVERALL INDEBTEDNESS:

Year end debt We are focused upon reducing our net debt through returning cash on old land and reducing our average investment per site.	Net debt at 30 June 2012 was £167.7m, £154.9m lower than prior year.	Net debt £m 10  366.9 11  322.6 12  167.7
Net cash interest charge A year round focus on net debt will reduce average borrowing levels and deliver reduced interest costs.	The Group's net cash interest charge for the year was £57.6m (2011: £70.4m).	Net cash interest charge £m 10  90.7 11  70.4 12  57.6

OUR SUSTAINABILITY PHILOSOPHIES

We continue to focus on our sustainability philosophies: People, Partners, Planet and Customers, and our commitment to Health and Safety. Our progress in these areas is set out below.

PHILOSOPHY	PROGRESS	KEY PERFORMANCE INDICATOR
Customers We are committed to building quality homes and our teams seek to ensure that our customers are satisfied with their new home.	We continue to lead the industry in levels of customer service and 98% (2011: 98%) of our customers independently surveyed would 'Recommend us to a Friend'. We have achieved the maximum 5-Star rating for customer satisfaction awarded by the HBF for a third consecutive year.	Recommend us to a Friend % 10  97 11  98 12  98
Health and Safety We seek to manage Health and Safety risks throughout our business.	Health and Safety is of paramount importance for our employees, customers and the public. During the year we further reduced our Injury Incidence Rate to 511 (2011: 539) per 100,000 employees.	Injury Incidence Rate Per 100,000 persons employed 10  582 11  539 12  511
Partners We serve all sectors of the market, creating homes for sale and shared ownership and work with many partners on a range of urban regeneration schemes.	Our wide product range varies from homes for first-time buyers, family homes and flats to social housing. Completions for the year were 12,637 (2011: 11,078). Social housing accounted for 22.2% (2011: 23.8%) of completions.	Social completions Units 10  1,870 11  2,634 12  2,805
People We recognise that one of our key strengths is our people and have therefore continued to invest in them and their expertise.	During the year many of our employees have benefited from our sales and marketing, construction, apprentice, graduate and leadership development programmes.	CSCS carded workforce % 10  97 11  97 12  98
Planet We seek to manage environmental risks throughout our business.	We continue to make progress in developing lower cost solutions to meet increasing environmental standards. During the year we built 3,820 (2011: 3,071) homes that meet Code Level 3 or above, and 65% (2011: 67%) of our completions were built on brownfield land.	Construction waste segregated on-site for recycling % 10  91 11  95 12  96

BUSINESS REVIEW



1

OUR PERFORMANCE

DELIVERING IN CHALLENGING TIMES

This was another year of excellent progress in a challenging market, in which mortgage availability remains at historically low levels.

1. Nightingale Woods, Wendover, Aylesbury. An exclusive development of 2 to 5 bedroom houses and 1 and 2 bedroom apartments.
2. Street scene of the development at Houndwood, Street, Somerset, overlooking the village green.
3. The Pankhania family purchased a 4-bed detached home at our Old Merchant Taylor development, Croxley Green.

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

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

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

Housebuilding

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

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



prior year. In addition, our JVs completed 220 (2011: 93) homes.

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

Our average selling price increased by 1.2% to £180,500 (2011: £178,300), mainly as a result of a small positive change in mix. Overall, underlying sales prices were broadly flat in the financial year. However, we have seen variation by region, with relative strength in the South East and, in particular, London.

Private average selling prices increased by 1.5% to £201,800 (2011: £198,900) primarily due to a number of mix changes, including an increased proportion of houses compared to flats. Seeking to derive the optimum sales price on every plot that we sell has remained a key focus for the business during the year. On private completions, we achieved a 1.5% increase in the average revenue per square foot to £203 (2011: £200).

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

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

During the year FirstBuy, the Government-backed shared

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

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

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

The benefits of our strategies of seeking to optimise the sales price of every plot, controlling our costs and targeted land buying can be seen in the year, with a significant improvement in our housebuilding operating margin before operating exceptional items to 8.3% (2011: 6.8%) for the full year and 9.6% (2011: 8.0%) for the second half of the financial year. Our housebuilding profit from operations before operating exceptional items for the year was £189.6m (2011: £134.2m). After operating exceptional items of £nil (2011: £7.7m), the housebuilding profit from operations was £189.6m (2011: £126.5m).





CASE STUDY

Driving profitable sales

In June 2012, we re-launched the websites for Barratt, David Wilson and Ward Homes to improve both their content and search options, enabling customers to identify more easily the properties of interest to them.

At the same time, we improved the online experience for our customers whilst ensuring that we delivered more high quality sales leads to the business.

Our aim is to take advantage of the fact that more people now start their search for a new home online. This year, over eight million potential customers have visited our websites, and we have continued to invest significantly in our online presence to ensure that our websites lead the industry.

During the development stage of our new websites, we undertook extensive customer research on the design and content of the sites. The feedback suggested users wanted greater ability to search our various developments, either by geographic location or property price, and users also wanted clearer differentiation between our brands.

We have also improved levels of information for potential buy-to-let purchasers, and made significant enhancements to our library of images. Our images now better demonstrate not only the quality and design of the homes we build, but also give an impression of the overall development as a place to live.

“...underlying house prices remained broadly stable over the year, and our improved performance was founded on our ability to bring new, higher margin land into production.”

Commercial developments

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

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

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

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

Completions

12,637
(2011: 11,078)

Average selling price

£180,500
(2011: £178,300)

Average net private reservations per active site per week

0.52
(2011: 0.44)

CREATING NEW COMMUNITIES

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

We operate throughout Great Britain under the Barratt Homes and David Wilson Homes brands, and in Kent and elsewhere in the South East under the Ward Homes brand. At 30 June 2012, we were selling from 374 (2011: 377) active sites across 25 divisions.

We continue to operate across a broad spectrum of the market, creating homes for sale, shared ownership and affordable rental properties. We also work with Government agencies and housing associations on a diverse range of urban regeneration schemes. Private selling prices during the financial year ranged from around £60,000 to £1.0m, with a private average selling price for the year of £201,800 (2011: £198,900).

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

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

“We continue to operate across a broad spectrum of the market, creating homes for sale, shared ownership and affordable rental properties. We also work with Government agencies and housing associations on a diverse range of urban regeneration schemes.”



CASE STUDY

London: Renaissance

Formerly the site of the local brick-making industry, our Renaissance development on Loampit Vale is now at the heart of the regeneration of Lewisham's town centre. It will bring a mix of private and social housing, landscaped public space and a state-of-the-art fitness centre for the local community.

Located in Zone 2, the development is situated opposite the Lewisham Docklands Light Railway and rail station with excellent transport links into and around central London.

In June 2007, Lewisham Council began consulting on options for the location of the town's new leisure complex. Loampit Vale was chosen and we were invited to work in partnership with the Council on redeveloping the site.

We consulted widely with the local community at public exhibitions, meetings with community organisations and discussions with various public agencies, such as the Commission for Architecture and the Built Environment and the Greater London Authority.

Following the consultation process, planning was

granted and in 2008 construction began on the development designed by award-winning architects Assael Architecture. The scheme comprises 788 high quality homes, of which 35% are affordable, set amongst private landscaped gardens.

The scheme also includes a new, state-of-the-art public leisure centre designed by specialists LA Architects. This will include a 25 metre swimming pool, a 20 metre teaching pool, an indoor climbing wall, a fitness suite and crèche.

The development also includes gardens and squares with dedicated indoor and outdoor space for art and cultural installations.

Local artist Phil Coy has worked closely with the architects to design and install a vibrant, illuminated exterior façade. The façade, made up of many coloured glass squares, gives the Renaissance development landmark status and helps establish Lewisham as an exciting new focus for art, culture and leisure.



LAND AND PLANNING

BUILDING FOR THE FUTURE

Our recently acquired land continues to perform in line with, or above, our required hurdle rates applied on acquisition, which include a gross margin of at least 20% and a return on capital of at least 25%.

Land approvals since mid-2009

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



Our land bank

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

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

cost to average selling price ratio of 24% (2011: 24%).

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

Land acquisition

Each division has a dedicated land buying team with local knowledge and experience. These teams identify land suitable for development and secure planning permissions to enable new homes to be built. This capability, combined with our strategic land portfolio, is designed to ensure that we have sufficient land to



1. Clover Mead at Lawley Village in Telford, where we are to build 1,100 new homes over 15 years.
2. Cleveland Place, Warrington. A David Wilson development showcasing some of our best-selling designs.



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meet customer demand. Our future growth and profitability is influenced by the quality of the land that we purchase and develop. During the year we continued to invest in land which met our clearly defined hurdle rates in terms of profitability and return on capital, providing attractive returns at current selling prices. For the full year we agreed terms on £578.1m of land purchases, the majority of which we will acquire on the basis of deferred payment. This equates to 12,085 plots of which 86% are for houses. The forecast average selling price on this land is c. £211,000 based on current prices. During the financial year, land additions were £475m (2011: £395m) and £397.4m (2011: £261.0m) was spent on land resulting in land creditors at 30 June 2012 of £726.1m (2011: £700.7m) of which £368.1m (2011: £349.1m) fall due within one year. We expect our cash expenditure for land to increase during our 2013 financial year reflecting the payments, as they fall due, of deferred amounts upon the land purchases acquired since re-entering the land market in mid-2009.

Planning

In the year to 30 June 2009 we started the re-planning of a number of our sites to replace flats with houses, a process which has continued in the current financial year. The proportion of our completions which were houses in the financial year was 68% (2011: 66%). Outside London, houses were 75% (2011: 74%) of completions. At 30 June 2012, detailed planning consents were in place on 96% (2011: 96%) of land required to meet our forecast activity for the 2013 financial year. In addition, we had outline planning consents on a further 2% (2011: 3%) of our forecast completion volumes.

“ Our future growth and profitability is influenced by the quality of the land that we purchase and develop. ”

SUSTAINABILITY



COMMITTED TO OUR PHILOSOPHIES

Our People, Partners, Customers and the Planet are at the heart of what we do.

We have identified and assessed the key sustainability risks facing the business, which include Environmental, Social and Governance ('ESG') risks, and have grouped these into four key philosophies so that we can manage them effectively. The four philosophies: People, Partners, Planet and Customers are underpinned by our commitment to financial performance and Health and Safety. Each is led by a member of the Executive Committee who is responsible for developing and implementing sustainability related objectives and targets to achieve the overall sustainability strategy set by the Board. This ensures that sustainability issues are embedded in the normal course of business and decisions affecting sustainability issues can be implemented swiftly at an operational level. This process ensures that adequate information in relation to ESG matters is available to the Board. Significant ESG risks that could impact on the future of the business are included in the principal risks and uncertainties section.



We publish a Sustainability Report each year that explains our approach and our management of sustainability, governance and risk, and includes the actions we have taken during the year to improve sustainability performance. Sustainability disclosures in this report and the Sustainability Report, including disclosures on ESG matters, are based on information collected annually and from regular management information. This information is subject to independent review and internal audit.

People

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

The Barratt Academy continues to provide structured, bespoke training to support individual development across three separate disciplines; apprentices, site managers



1. Chris Peatfield receiving his Rising Star Award at the National Graduate Recruitment Awards in April 2012.
2. Site Manager Liam Gilchrist and apprentices review plans at Trinity Village in Bromley.

and technical/commercial roles. Combining professional training (on-site and in the classroom) with industry-recognised qualifications, our courses aim to deliver us craft and trade specialists, highly competent site managers and employees with in-depth technical and commercial expertise.

The apprenticeship scheme comprises both trade and technical apprenticeships. Apprenticeships last for two years and since 2007 over 330 apprentices have completed their training with the Group. We are delighted that one of our apprentices, who has now been put forward for the Group's 2013 Assistant Site Manager programme, was awarded first place in this year's external Skill Build for the Northern Region.

We have a graduate development programme which aims to recruit high potential talent into the business. The programme lasts for two years and graduates are given the opportunity to spend time in each of our operational departments, whilst attending business and personal development courses. Alongside the formal training programme, graduates are also encouraged

to undertake voluntary projects in their local community as part of their project management module. We are delighted that one of our technical graduates won the Rising Star award at this year's National Graduate Recruitment Awards.

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

We remain focused on employee engagement and during the year our fifth annual engagement survey was undertaken. These bespoke voluntary surveys allow us to develop engagement plans throughout the business aimed at further improving the Group's relationship with its direct employees. We continue to recognise outstanding individual and team performance across the Group through quarterly and

“...we have maintained our investment in vocational and leadership training programmes, as well as in schemes promoting employee development, engagement and recognition.”

annual divisional awards and annual national awards. In addition, we operate an instant recognition scheme, which during 2011/12 has awarded 1,100 prizes.

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

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

Partners

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

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

We engage in dialogue with local people and local authorities in order to seek to address any impact that our developments may have on the local environment, and we respond to community aspirations by creating new jobs, training young people and supporting local initiatives. By holding public exhibitions,

we invite stakeholders to talk to our specialist planners and architects about their concerns and aspirations for our developments. We believe that a genuinely collaborative approach will deliver more land and housing with the backing of local communities.

We have always been concerned with housing affordability issues and have worked closely with financial institutions and Government for a number of years to improve access to mortgage funding for customers. As a result we are currently working with a number of partners to help people gain access to appropriate housing.

We are currently active on a number of public and private sector partnership sites. Park Prewett in Basingstoke and Cane Hill in Coulsdon are two schemes where we are working closely with the Homes and Communities Agency. At Scotswood in Newcastle-upon-Tyne, we are partnering with Newcastle City Council on a 15-year mixed-use project, and in Castlewell in Aberdeenshire we are working

closely with both the local community and the Prince's Foundation to develop a master plan incorporating 247 homes.

Joint venture and partnership opportunities

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

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

Planet

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

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

We acknowledge that the nature of our business impacts on the local environment and we continue to strive to reduce this impact, both during and

Proportion of construction waste segregated for recycling on-site

96%
(2011: 95%)

Percentage of our customers who would 'Recommend us to a Friend'

98%
(2011: 98%)

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

76
(2011: 80)



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



1. Rob Berry, Commercial Manager at DWH South West, carries the Olympic Torch in Bristol.
2. Jim Toothill and Angela Hurley part-exchanged their first David Wilson Home to move up the housing ladder at Castle Heights, Church Gresley.
3. Helena Towers – 50th Barratt FirstBuy purchaser at the Willows, Morden.

Customers

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

Our Customer Care Charter

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

New product range

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

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

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

Construction waste segregated on-site for recycling %

09	73
10	91
11	95
12	96

post-construction, by undertaking significant brownfield development, by delivering high quality regeneration projects and by monitoring our waste and energy usage.

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

We monitor the proportion of construction waste segregated for recycling on-site, which this year improved to 96% (2011: 95%). In addition, all divisions within the Group continue to operate an environmental management system certified to ISO14001 which is subject to regular monitoring and audit.



Communicating with our customers

Our sales and marketing team has continued to promote our brands throughout the year using focused marketing campaigns. This included use of the internet, radio and direct mail, targeted incentives and discounts for customers, as well as tools such as shared equity products and part-exchange.

We recognise that the online market continues to change at a rapid pace. During the last 12 months we have enhanced the design and content of our websites to ensure a customer's first enquiry delivers all the information they require. We will continue to enhance our online user experience and quality of content through greater use of e-brochures, video, 360 degree tours, imagery of planned developments and house types, in addition to comprehensive information about the local area.

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

Assisting with mortgage products

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

All our divisions and brokers have implemented our Group-wide processes for dealing with lenders and surveyors. These ensure that we provide them with transparency in relation

to our products and the financial arrangements between the Group and our customers. These standards exceed the industry requirements as specified by the Council of Mortgage Lenders and the processes are subject to regular internal audit.

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

Customer satisfaction

Our high quality homes have been recognised independently by the achievement for the third year running of 5-Star builder status in the HBF annual customer satisfaction survey. This shows that over 90% of our customers questioned were satisfied with the quality of their new home and would 'Recommend us to a Friend'.

We monitor customer satisfaction with all of our customers being independently contacted nine weeks after legal completion and asked to complete a survey. Over the last five years these surveys have shown increases in customer satisfaction and we are pleased that in the year ended 30 June 2012 98% (2011: 98%) of our customers would 'Recommend us to a Friend'. We monitor the results of the survey on a monthly basis throughout our business.

Five year warranty

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



“We monitor customer satisfaction with all customers being independently contacted nine weeks after legal completion... and we are pleased that 98% of our customers would 'Recommend us to a Friend'.”



1. Windmill Place, Thame, Oxfordshire, comprising a collection of 97 homes around a new open public space, a short walk from the town centre.
2. Tony Bird, Senior Site Manager for our Kings Green development, receiving his NHBC National Health and Safety Award.



Health and safety

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

We also measure health and safety performance by monitoring the Group's reportable Injury Incidence Rate ('IIR'). During the financial year ended 30 June 2012, our IIR reduced by 5% to 511 (2011: 539) per 100,000 persons employed. We are committed to seeking to reduce the IIR year-on-year and we are working with our suppliers, partners and local communities to minimise the risk of injury.

At the NHBC Health and Safety Awards 2012, the Group was awarded 30% of the total awards in the Large and Multi-storey builder categories and 13 of our site managers were recognised for excellence in health and safety. The Group received five commended and eight highly commended awards, within which

our Renaissance scheme in East London was judged the overall national winner in the Multi-storey category.

Injury Incidence Rate

Per 100,000 persons employed

09	571
10	582
11	539
12	511

FINANCE REVIEW



DRIVING PROFITABILITY AND REDUCING INDEBTEDNESS

The Group has delivered another year of strong profit growth and has continued to invest in land capable of providing further improvements in margin. We are well placed to make strong progress in 2013.

Operating profit before operating exceptional items

£191.1m

(2011: £135.0m)

Net finance charges before exceptional finance costs

£80.8m

(2011: £92.4m)

Adjusted earnings per share before exceptional items

8.1p

(2011: 2.7p)

Performance metrics were as follows:

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

Segmental analysis

The Group's operations comprise two segments; housebuilding and commercial developments. These segments reflect the

different product offerings and market risks facing the business.

An analysis of the operational performance of these segments is provided within the Business Review.

Exceptional items

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

Operating exceptional items

i) Restructuring costs

In the prior year, the Group adjusted its operations to suit the prevailing trading conditions, resulting in £7.7m of reorganisation and restructuring costs.

ii) Impairment of land and work in progress

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

Since the overall gross margin achieved across the Group's developments were primarily in line with those incorporated into prior period impairment reviews no further exceptional impairment was required at 30 June 2012, although there were gross impairment reversals and charges of £31.5m (2011: £65.0m) due to variations in market conditions across housebuilding sites. Changes arising from normal trading, such as planning status, resulted in a net inventory impairment charge of £6.6m (2011: £5.4m) included within profit from operations.

During the year ended 30 June

2012, we have experienced variation in house price movements by region and should the actual house price movements for the current financial year differ from that expected in the impairment review then further impairments or reversals in impairments of the carrying value of our land bank may be required.

We recognise that the Group is not immune to future pricing trends in the wider housing market and we will continue to review the trading environment and our impairment assumptions during the year to 30 June 2013.

Financing exceptional item

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

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

Joint venture exceptional item

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

Finance cost

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

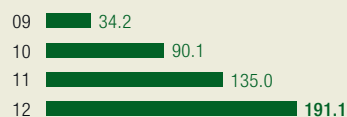
Revenue

£m



Profit from operations before operating exceptional items

£m



Operating margin before operating exceptional items

%



Land bank value

£2,077m
(2011: £2,190m)

Land additions

£475m
(2011: £395m)

Committed facilities and private placement notes to May 2015

c. £1bn
(2011: c. £1bn)

After financing exceptional costs of £nil (2011: £46.5m), the net finance charge for the year was £80.8m (2011: £138.9m).

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

Tax

The Group's tax charge for the year was £32.6m (2011: £2.3m). This differed from the effective rate for the year of 25.5% mainly due to the impact of the reduction in the statutory corporation tax rate from 26% to 24% and its impact upon the Group's deferred tax asset and adjustments relating to prior periods.

During the year, the Group received tax repayments totalling £3.9m (2011: £4.5m).

For the financial year ending 30 June 2013 we expect the total taxation charge to be around the effective rate of corporation tax of 23.75%. This excludes the impact of the charge arising from the reduction in the value of the Group's deferred tax asset due to the reduction in the standard rate of corporation tax to 23%.

Dividend

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

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

Expense/income recognised in equity

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

Balance sheet

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

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

Significant movements in the balance sheet included:

- The Group's book value of land was £2,077.3m (2011: £2,189.7m), a decrease of £112.4m. This decrease included land additions of £475m offset by land usage and disposals.
- Group work in progress at 30 June 2012 was £1,065.5m (2011: £1,023.2m). The increase of £42.3m reflects the increase in the number of plots under construction at the year end, including the commencement of four towers in our London business. Stock and work in progress has been closely controlled throughout the year. Unreserved stock units as at 30 June 2012 were 2.6 units (2011: 2.2 units) per active site.
- Group net debt decreased by £154.9m over the year to £167.7m (2011: £322.6m).
- Goodwill and intangible assets

remained at £892.2m as the annual impairment review of the entire housebuilding business and brand indicated that no impairment was required at the year end.

- The Group had a corporation tax asset of £0.4m (2011: £3.2m) and a deferred tax asset of £118.6m (2011: £143.2m). During the year the Group received £3.9m (2011: £4.5m) of tax repayments. The Group's deferred tax asset decreased by £24.6m mainly due to the reduction in the statutory corporation tax rate to 24% and the utilisation of tax losses offset by the decrease in the defined benefit pension liability and movements upon derivative financial instruments. The changes to corporation tax rates announced in the 2012 Budget will further reduce the future value of the Group's deferred tax asset, however as the changes were not substantively enacted at 30 June 2012 they are not reflected in the Group's deferred tax asset. The reduction in corporation tax rate from 24% to 23%, which has been enacted since the balance sheet date, would further reduce the Group's deferred tax asset by £4.9m if all of the deferred tax was to reverse after July 2013.
- The pension fund deficit on the Barratt Developments defined benefit pension scheme increased by £9.6m in the year to £21.4m mainly due to actuarial losses recognised in the year, offset by employer contributions.
- Trade and other payables were £1,361.3m (2011: £1,379.7m) including an increase of £25.4m in land payables from £700.7m to £726.1m reflecting more land acquisitions on deferred payment terms during the year.

Net debt

Group net debt at the year end was £167.7m (2011: £322.6m). As we increase site numbers, make scheduled payments on new

Net assets

£m

09	2,331.6
10	2,900.2
11	2,930.1
12	2,973.8

Net debt

£m

09	1,276.9
10	366.9
11	322.6
12	167.7

Net cash interest paid¹

£m

09	151.6
10	94.7
11	73.1
12	60.1

1. Net interest paid comprises interest paid of £60.3m (2011: £77.5m) and interest received of £0.2m (2011: £4.4m).

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

land approvals and build work in progress, particularly in London, to deliver completions for spring 2013 we expect net debt at 31 December 2012 to be around £475m (2011: £542.2m). In line with normal seasonal trends, we would expect net debt at 30 June 2013 to reduce again and be at similar levels to 30 June 2012.

Treasury

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

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

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

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

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

In July 2012 we entered into a seed investment agreement with

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

In conclusion

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

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

David Thomas

GROUP FINANCE DIRECTOR

PRINCIPAL RISKS AND UNCERTAINTIES

KEEPING CONTROL OF OUR BUSINESS

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

RISK AND DESCRIPTION	RELEVANCE TO STRATEGY/KPIs	MITIGATION (INCLUDING RESPONSIBILITY)
Economic environment, including housing demand and mortgage availability Changes in the UK and European macroeconomic environments, including unemployment, austerity measures, flat economic growth, buyer confidence, availability of mortgage finance, the ability of purchasers to repay shared equity loans, interest rates, competitor pricing, falls in house prices or land values or a failure of the housing market to recover, may lead to a fall in the demand for houses which in turn could result in impairments of the Group's inventories, goodwill and intangible assets. Cost reduction measures may adversely affect the Group's business or its ability to respond to future improvements in market conditions.	As described on pages 18 to 35 of the Business Review, the majority of homes built by the Group are purchased by individuals who rely on the availability of mortgages. The confidence of buyers and their ability to obtain mortgages or other forms of financing are impacted by the macroeconomic environment. Accordingly, customer demand is sensitive to changes in economic conditions. The Group's ability to grow its business partly depends on securing land or options over sites and having adequate resources to build sufficient homes to meet demand. The Group's ability to do this can be impacted by cash and profit constraints which, in turn, would have an adverse effect upon net operating assets and net debt (see also the liquidity, land and construction risks sections below).	Led by the Group Chief Executive, the Executive undertakes a weekly review of key trading indicators, including reservations, sales rates, Group shared equity balances, part-exchange, visitor levels, incentives, publically available competitor activity and cash flow projections and, where possible, appropriate management action is taken. The Group's internal systems clearly identify the impact of sales price changes on the margins achievable and as a minimum the Group performs asset impairment reviews twice a year. The Group works with key mortgage lenders to ensure that products are appropriate wherever possible for its customers. The Group has Driving Profitable Sales and Commercial Action initiatives in place to seek to enhance the effectiveness and efficiency of our sales processes and keep the Group's cost base tightly controlled. Cost reduction measures are also managed via the stewardship of the Executive Committee.
Liquidity Unavailability of sufficient borrowing facilities to enable the servicing of liabilities (including pension funding) and the inability to refinance facilities as they fall due, obtain surety bonds, or comply with borrowing covenants. Furthermore, there are risks to management of working capital such as conditional contracts, build costs, joint ventures and the cash flows related to them.	The Finance Review (pages 32 to 35) summarises the committed facilities of different duration that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are cyclical during the financial year and peak around April/May and October/November each year as, due to seasonal trends in income, these are the calendar points when the Group has the highest working capital requirements. The Group maintains sufficient facility committed debt headroom and in addition has a number of trade finance and surety facilities that are designed to ensure that the	Under the stewardship of the Group Finance Director the Group has agreed its debt refinancing which provides around £1bn of committed facilities and private placement notes with maturity dates ranging from 2013 to 2021. The Group has in place a comprehensive regular forecasting process encompassing profitability, working capital and cash flow that is fully embedded in the business. The Group Finance Director ensures these forecasts are regularly stress tested to ensure that adequate headroom within facilities and banking covenants is maintained. On a normal operating basis the Group has a policy of maintaining

RISK AND DESCRIPTION	RELEVANCE TO STRATEGY/KPIs	MITIGATION (INCLUDING RESPONSIBILITY)
Liquidity (continued)	Group has sufficient funds available. The absence of appropriate headroom would limit the Group's land buying and operational capability adversely impacting upon profitability and the Group's ability to deliver shareholder value.	facility headroom of up to £150m. The Group has a comprehensive regular forecasting process for surety bond requirements. The Group is in compliance with its borrowing covenants and at the date of approval of the 2012 Annual Report and Accounts, the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future being at least 12 months from the date of signing of the 2012 Annual Report and Accounts.
Attracting and retaining high calibre employees Inability to recruit and/or retain employees with appropriate skill sets or sufficient numbers of such employees.	Using the approaches described on pages 26 to 27 of the Business Review the Group aims to attract, retain and develop a sufficiently skilled and experienced workforce in order to maintain high standards of quality and customer service. Not having employees with appropriate skills sets can lead to build delays, quality issues, reduced sales, poor customer care and reduced profitability.	The Group Human Resources Director oversees a comprehensive Human Resources programme which includes apprenticeship schemes, a graduate development programme, succession planning and training schemes tailored to each discipline. These processes are embedded operationally. The Group continues to target a fully Construction Skills Certification Scheme carded and qualified operational workforce. We monitor employee turnover levels on a monthly basis and conduct exit interviews, as appropriate, to identify any areas for improvement. We benchmark our remuneration against industry competitors.
Availability of raw materials, subcontractors and suppliers Shortages or increased costs of materials and skilled labour, the failure of a key supplier or the inability to secure supplies upon appropriate credit terms could increase costs and delay construction.	The Group relies upon affordable supplies of building materials from multiple sources and subcontractors to perform the majority of work on sites. This retains flexibility to commence work on new sites and enhances the Group's build cost efficiency. Adverse management of these suppliers and/or subcontractors could lead to build delays, cost increases and reduced profitability.	Managed by the Group Procurement Director, the Group adopts a professional approach to site management and seeks to partner with its supply chain. The Group has a policy of having multiple suppliers for both labour contracts and material supplies and contingency plans should any key supplier fail.

RISK AND DESCRIPTION	RELEVANCE TO STRATEGY/KPIs	MITIGATION (INCLUDING RESPONSIBILITY)
Land purchasing Inability to secure sufficient consented land at appropriate cost and quality to provide profitable growth.	The Group needs to purchase sufficient quantities of good quality, consented land at attractive prices in order to be in a position to commence construction and enhance the Group's ability to deliver profit growth. Our progress during the year is set out on pages 24 to 25 of the Business Review. Acquiring poor quality or mis-priced land would impact adversely upon profitability and revenue.	Under the stewardship of the Group Finance Director, potential land acquisitions are subject to formal appraisal, with those approved required to achieve an overall Group defined hurdle rate of return and to meet the Group's strategic criteria for growth. Each division produces a detailed site-by-site monthly analysis of the amount of land currently owned, committed and identified. These are consolidated for regular review at senior management and Board level. In addition, each operating division holds regular land meetings.
Government regulation and planning policy Inability to adhere to the increasingly stringent and complex regulatory environment, including planning and technical requirements affecting the housing market and regulatory requirements more generally.	The Group's land portfolio consists of land for the short and medium term as well as strategic land. Inability to obtain suitable consents, or unforeseen delays, could impact on the number or type of homes that we are able to build. We could also be required to fund higher than anticipated levels of planning obligations, or incur additional costs to meet increased regulatory requirements. All of these would have a detrimental impact on the contribution per plot. As described on pages 24 to 25 of the Business Review the Group seeks to meet regulatory and planning requirements to obtain the planning permission required to develop homes and communities.	Led by the Group Chief Executive, and supported by the Director of Corporate Affairs and Group Head of Planning, the Group consults with the Government both directly and through industry bodies to highlight potential issues and has considerable in-house technical and planning expertise devoted to complying with regulations and achieving implementable planning consents. The Group has appropriate policies and technical guidance manuals in place to assist employees to achieve regulatory compliance and the standards of business conduct expected of them.
Construction and new technologies Failure to identify and achieve key construction milestones due to factors including the impact of adverse weather conditions, the failure to identify cost overruns promptly, design and construction defects, and exposure to environmental liabilities which could delay construction, increase costs, reduce selling prices and result in litigation and uninsured losses. Also there are risks associated with climate change and the use of new technology in the build process e.g. materials related to carbon reduction.	The Group builds homes and communities in Great Britain ranging from houses to large-scale flatted developments. In the event we did not do so efficiently, or new technologies result in quality issues, the Group's profitability and ability to grow the business could be impacted negatively.	The Group's Executive oversees weekly reporting which identifies the number of properties at key stages of construction. Projected construction rates are evaluated as part of the monthly forecasting cycle. Progress with development projects (including joint ventures and consortia), including returns and cash flows, are monitored regularly by divisional management teams and the Group obtains legal and other professional advice when required. Any alternative forms of construction and building technologies and the quality of the materials used by the Group are subject to evaluation by external and internal technical experts including the NHBC, to ensure compliance with all building and other regulations. The Group regularly monitors a number of environmental impact indicators, the results of which are disclosed in the Group's Sustainability Report.

RISK AND DESCRIPTION	RELEVANCE TO STRATEGY/KPIs	MITIGATION (INCLUDING RESPONSIBILITY)
Construction and new technologies (continued)		Appropriate insurance cover is maintained for the Group's main risks.
Joint ventures and consortiums Large development projects, some of which involve joint ventures or consortium arrangements and/or commercial developments, are complex and capital intensive and changes may negatively impact upon cash flows or returns.	Due to their scale some projects may require joint venture or consortium arrangements. Failure of a joint venture or consortium partner to perform its financial and/or operational obligations can place additional capital or operational burdens upon the Group.	Led by the Group Finance Director, potential joint venture arrangements are subject to formal appraisal and appropriate external advice is obtained before such arrangements are approved. Once operational, the performance of joint ventures are subject to regular operational and financial review.
Health and Safety Health and safety breaches can result in injuries to employees, subcontractors and site visitors, delays in construction/ increased costs, reputational damage, criminal prosecution and civil litigation.	Health and safety is a key issue in the housebuilding sector. Given the inherent risks, it is of paramount importance to the Group. Senior management and the Board review health and safety matters on a regular basis and seek to reduce injury incidence rates by implementing policies and procedures aimed at keeping staff and visitors free from injury. Our performance this year against our injury incident rate KPI is set out on pages 31 of the Business Review. In addition to the possibly tragic impact of an accident on-site, there is potential for legal proceedings, financial penalties, reputational damage and delay to the site's progress.	Reporting to the General Counsel, the Group Head of Safety, Health and Environment manages a dedicated health and safety department, which is independent of the management of the operating divisions. Health and safety audits are undertaken on a regular basis and processes are modified as required with a view to seeking continuous improvement. Performance is reviewed by the Health and Safety Committee that meets quarterly. Each month, health and safety reports are cascaded by each division, for review by the Executive Committee and Board, which also receives a direct report every six months from the Group Head of Safety, Health and Environment.
Information Technology ('IT') Failure of the Group's IT systems, in particular those relating to surveying and valuation, could adversely impact the performance of the Group.	The ability to optimise prices and ensure operational efficiency is essential to the Group's performance. The Group's integrated management systems enable the Group to maintain tight control, especially with regard to surveying and valuation. Adverse IT performance could cause delays in build, and have an adverse impact on operational efficiency and profit.	Led by the Group IT Director a dedicated in-house IT team regularly monitors and maintains Group IT systems to ensure continued functionality. A fully tested disaster recovery programme is in place.

Details of the Group's management of liquidity risk, market risk, credit risk and capital risk in relation to financial instruments are provided in note 25 on pages 109 to 114 of this report.

Details of the Group's contingent liabilities are provided in note 33 on page 127.

BOARD OF DIRECTORS AND COMPANY SECRETARY



Robert Lawson
CHAIRMAN

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



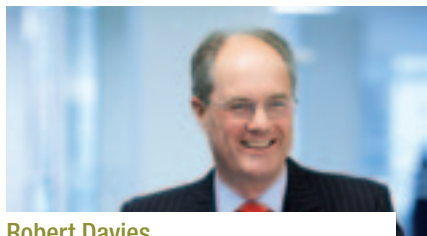
Mark Clare
GROUP CHIEF EXECUTIVE

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



David Thomas
GROUP FINANCE DIRECTOR

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



Robert Davies
SENIOR INDEPENDENT DIRECTOR

Bob Davies was appointed as a Non-Executive Director on 5 May 2004 and as Senior Independent Director in January 2009. He is the Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. In July 2012 Bob was appointed as Chairman of Home Group, one of the UK's leading housing associations, and is also currently the Chairman of Euroports Holdings S.a.r.l. and a member of the Investment Advisory Board for North East Finance. He was previously a Non-Executive Director of Northern Rock (Asset Management) plc, Chairman of Biffa plc, a Non-Executive Director of British Energy Group plc, the Chief Executive of Arriva plc and the chair of the Board of Governors of Sunderland University. Bob Davies intends to step down as a Non-Executive Director, the Senior Independent Director and the Chairman of the Remuneration Committee at the 2012 Annual General Meeting.



Richard Akers
NON-EXECUTIVE DIRECTOR

Richard Akers was appointed a Non-Executive Director on 2 April 2012 and is a member of the Audit, Nomination and Remuneration Committees. Richard is an Executive Director of Land Securities plc which he joined in 1995, succeeding to the Board in May 2005 following his appointment as Managing Director of the Retail Portfolio. Richard is also a director and the former president of the British Council of Shopping Centres, the main industry body for retail property owners, is a member of the Royal Institution of Chartered Surveyors and holds an MA in Engineering Science from Oxford University.



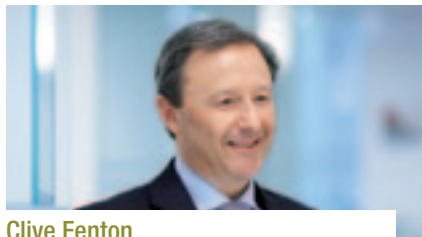
Tessa Bamford
NON-EXECUTIVE DIRECTOR

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



Steven Boyes
CHIEF OPERATING OFFICER

Steven Boyes was appointed as an Executive Director on 1 July 2001 and was responsible for the Group's operations in the North. On 5 July 2012, Steven Boyes became the Group's Chief Operating Officer with responsibility for all of the Group's housebuilding operations nationally. Steven joined the Group in 1978 and became Technical Director and then Managing Director of Barratt York before being appointed Regional Director for Barratt Northern in 1999.



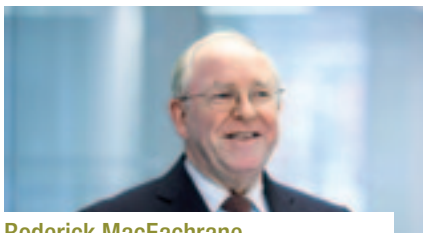
Clive Fenton
GROUP BOARD EXECUTIVE DIRECTOR

Clive Fenton was appointed to the Group Board on 1 July 2003 and during the reporting period was responsible for the Group's operations in the London, Southern and West regions. He qualified as a Chartered Accountant before joining the Group in 1983. He became Finance Director of Barratt East London in 1994 and Managing Director of Barratt West London in 1996. Clive Fenton resigned from the Board on 5 July 2012.



Tom Keevil
GROUP GENERAL COUNSEL AND
COMPANY SECRETARY

Tom Keevil was appointed Group General Counsel and Company Secretary on 1 April 2011. Tom was previously the Group General Counsel and Company Secretary of United Utilities Group PLC (2007-2011) and Gallaher Group plc (2001-2007), which he joined in 2000. Prior to this, he was a partner at international law firm Simmons and Simmons, which he joined in 1984. Tom is a Non-Executive Director of the Solicitors Regulation Authority and a Fellow of the Chartered Institute of Arbitrators.



Roderick MacEachrane
NON-EXECUTIVE DIRECTOR

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



Mark Rolfe
NON-EXECUTIVE DIRECTOR

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

CORPORATE GOVERNANCE



Introduction from the Chairman

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

My focus

A key part of my role as Chairman is to ensure that the Board retains an appropriate level of independence to allow Non-Executive Directors to challenge the Executive constructively whilst also supporting them to implement the Board's strategy. For the 2012/13 financial year the focus will be, amongst other matters, on increasing the profitability of, and reducing the overall indebtedness of, the Group (see pages 6 to 7 of this Annual Report and Accounts) and running the business effectively. A key element of this is ensuring that the Board composition is made up of the correct balance of skills, sector specific and general knowledge to drive the strategy forward. During the year, Board membership has been refreshed and the Executive reporting structure simplified.

Diversity

The Board has considered the recommendations set out in Lord Davies' Report: 'Women on Boards', and, following consideration and recommendations from the Nomination Committee, has adopted a policy on Board appointments (a copy of which is available on our website www.barrattdevelopments.co.uk). The Nomination Committee, has also revised its terms of reference, to include express reference to the consideration of diversity when reviewing and implementing Board level succession plans.

Risk management and internal controls

A key focus of the UK Corporate Governance Code (the 'Code') is risk management and the responsibility of boards to determine the nature and extent of the risks they are willing to take in achieving strategic corporate objectives, as well as including an explicit obligation for boards to review the effectiveness of risk management systems and internal control.

For the Group, risk appears in many forms and can fall into any one of several categories such as: market; liquidity; people; subcontractors and suppliers; land purchasing; Government regulation; construction; joint ventures and consortia; safety, health and environment; and information technology. As there is no single solution for managing such a diverse

range of risks, the Board dedicates considerable time to discussing and assessing the risks affecting the Group and the mitigation strategies to address them. We have included further commentary on risk and enhanced the review of the principal risks and uncertainties of the Group during our annual review so that their relevance to the Group's business and management accountabilities for each mitigation strategy is clear (see pages 36 to 39). Our Audit Committee continues to play a key part in supporting the Board's approach to the management of risk throughout the business.

Shareholder engagement

The Board recognises and fully embraces the importance of maintaining an ongoing relationship with the Company's shareholders and achieves this through regular dialogue on issues such as the potential impact upon our business of the UK and European macroeconomics, the availability of mortgage lending to customers, strategy, performance and governance.

The Board

In January 2012 the Board met for its annual strategic review to discuss the Group's growth plans and a number of strategic issues including mortgage availability, customer demand, planning regulations and Government programmes. The review is increasingly focusing on the long-term prospects for the provision of homes in a changing UK economy.

Statement of compliance with Code provisions

The Company recognises the importance of seeking to maintain the highest standards of corporate governance in all areas of its business. I am pleased to say that throughout the 2011/12 financial year the Company fully complied with the main and supporting principles of the Code, details of which can be found on the following pages of this report. The Code is publicly available from the Financial Reporting Council's website at www.frc.org.uk.

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

Bob Lawson

CHAIRMAN

The Board

The Company is led and controlled by the Board which has overall responsibility for the conduct of the business of the Group and ensuring that the obligations to its shareholders and others are understood and met. The Board is responsible for setting the strategic direction of the Group and ensuring that it has adequate resources and appropriate controls, values and standards in place to deliver its strategy within a framework which enables risk to be identified and managed. Each Board Director is aware of his/her responsibilities, individually and collectively, to promote the long-term success of the Group.

The names, responsibilities and other details of the Directors are set out on pages 40 and 41. The Board met on eleven occasions during the financial year to review and approve a variety of matters including those specifically reserved to them. These included: approval of the strategy and management of the Group; ensuring adequate financial resources are available for the business; review and approval of half-yearly and annual results; interim management statements and trading updates; review and approval of dividend and treasury policies; review and updating of internal control and risk management systems and processes; approval of material investments/transactions; and approval of core policies relating to, amongst other matters, safety, health and environment and employee conduct.

Board committees

The Board has established three principal committees to which it has delegated specific responsibilities: the Audit (pages 49 and 52); the Remuneration (pages 53 to 66); and the Nomination (pages 46 and 48) Committees (each a 'Committee'). Each Committee is provided with sufficient resources to undertake the duties delegated to them and is able to seek advice from the Group General Counsel and Company Secretary and external advisers, as appropriate. Membership and attendance at meetings of the Board and of each of its Committees during the 2011/12 financial year are shown in Table 1. Each of these Committees (and the Board) completed annual effectiveness reviews (see page 45).

Table 1 – Membership and attendance at Board and Committee meetings

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

* Bob Davies and Tessa Bamford explained their reasons for their absence and provided their views on the items of business to the Chairman prior to the meetings they were unable to attend.

** Richard Akers joined the Board as a Non-Executive Director on 2 April 2012 and became a member of the Nomination and Remuneration Committees as at that date.
11/ indicates number of meetings attended whilst a Director and /11 indicates number of meetings held whilst a Director.

Board balance and independence

At the end of the financial year the Board comprised ten members, including the Chairman, five Non-Executive Directors and four Executive Directors, although executive representation was reduced to three on 5 July 2012 following Clive Fenton's resignation from the Board. The Board believes that it has the appropriate balance of Executive and independent Non-Executive Directors having regard to the size and nature of the business and continuing need to keep its cost base under tight control. In addition, the combination of the make-up and calibre of the Non-Executive Directors collectively, having regard to their diverse backgrounds and experience and their varying lengths of service, further enhances this balance.

During the year, given the length of Bob Davies' tenure as a Non-Executive Director and the likelihood of such tenure coming to an end in the reasonably near term, the Nomination Committee, having due regard to maintaining the balance between the independent Non-Executive Directors and Executive Directors, recommended the appointment of Richard Akers as a Non-Executive Director to the Board. Richard Akers joined the Board on 2 April 2012. As announced on 25 July 2012, Bob Davies subsequently notified the Board of his intention to step down from his positions of Non-Executive Director, Senior Independent Director and Chairman of the Remuneration Committee at the Company's 2012 Annual General Meeting (the '2012 AGM'). The Nomination Committee, having assessed the skills of each of the current Non-Executive Directors on the Board identified and recommended to the Board the appointment of Richard Akers as successor to Bob Davies as Chairman of the Remuneration Committee. Richard will, subject to election by shareholders, commence his role as Chairman of the Remuneration Committee with effect from the conclusion of the 2012 AGM. In addition, the Nomination Committee recommended that Mark Rolfe take over as Senior Independent Director from the same date and the Board unanimously endorsed this recommendation.

The Company recognises the importance of its Non-Executive Directors remaining independent throughout their appointment as this enables them to provide objective advice and guidance to the Executive Directors through the use of their wide business experience and diverse backgrounds, as well as being able to challenge constructively and scrutinise the performance of the Executive Directors and satisfy themselves with the integrity of the financial information to be provided to the Board and the Company's shareholders. In addition, their independence is of utmost importance when considering the appointment or removal of Executive Directors and in the determination of succession planning for the Board and other key individuals within the Group. The Board has, during the year, reviewed, and remains satisfied, that all of its Non-Executive Directors, including Richard Akers (see page 67), are independent in that they have no business or other relationship with the Group that might influence their independence or judgement. Details of their interests as shareholders are contained in Table 6 on page 64 of the Remuneration Report.

Bob Lawson was appointed Non-Executive Chairman of the Company with effect from 1 July 2008 and was considered to be independent on his appointment. Bob Lawson's other significant commitments, his Non-Executive Chairmanship of Genus plc and his directorship of The Federation of Groundwork Trusts, do not impinge upon his availability to fulfil his duties to the Company and were considered during the annual review of the effectiveness of the Chairman led by the Senior Independent Director.

Roles of Chairman, Chief Executive and Senior Independent Director

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

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

Mark Clare, the Group Chief Executive is responsible for the day-to-day management of the operational activities of the Group in accordance with overall strategy and policy as determined by the Board. He carries out duties delegated to him by the Board through an Executive Committee comprising of the Executive Board members, the Group General Counsel and Company Secretary, the Marketing Director, Jeremy Hipkiss, the Group Director of Corporate Affairs, Patrick Law, the Group Human Resources Director, Jayne Mee (until 30 June 2012) and thereafter Robert Tansey (from 1 August 2012), and the Managing Director of Wilson Bowden Developments, Nick Richardson. The Executive Committee generally meets on a weekly basis to review operational matters and also undertakes more in-depth monthly reviews.

The current Senior Independent Director, Bob Davies, has specific responsibility for evaluating the performance of the Chairman, at least annually, with the other Non-Executive Directors (excluding the Chairman) having consulted the Executive Directors beforehand and has completed such a review for the 2011/12 financial year, which gave rise to no issues and unanimous support for the Chairman. He is also responsible for ensuring that, where required, he is available to shareholders to (i) address any material issues or concerns which the Chairman and/or Group Chief Executive have failed to resolve, and (ii) listen to their views in order for the Company to gain a balanced understanding of their issues and concerns.

Directors' conflicts of interest

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

The Board has, in accordance with the Articles and best practice guidance, authorised the Nomination Committee to oversee the process for reviewing and making recommendations to the Board concerning any actual and/or potential conflicts of interest which arise or may arise in relation to each member of the Board, including details of any terms

and conditions which it deems necessary to impose on any authorisation given. This process was carried out satisfactorily during the year.

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

Appointment and Re-appointment of Non-Executive Directors

Non-Executive Directors are appointed, subject to re-election by shareholders and statutory provisions relating to the removal of directors, by the Board for an initial three-year term and normally serve a second three-year term. Beyond this a third term of up to three years may be served subject to particularly rigorous review and taking into account the need for progressive refreshment of the Board. The Articles, in accordance with the Code, require any Non-Executive Director who has served nine years or more on the Board continuously to be subject to annual re-appointment thereafter, but in any event all current Directors (other than Bob Davies), both Executive and Non-Executive, will stand for re-election by shareholders at this year's AGM, as they did at the 2011 AGM, in accordance with the Code provisions applicable to all FTSE 350 companies.

On 2 April 2012 Richard Akers joined the Board as a Non-Executive Director for a three-year term and will, in accordance with the Code, be subject to election by shareholders at the 2012 AGM and to annual re-election by shareholders thereafter. Richard was also appointed as a member of the Nomination and Remuneration Committees on the same date and will, as announced on 25 July 2012, take over as the Chairman of the Remuneration Committee from Bob Davies with effect from the conclusion of the 2012 AGM. He was also appointed to the Audit Committee with effect from 1 July 2012. Richard brings with him a broad business experience and a wealth of property market knowledge from a retail and commercial perspective.

During the year the Board also considered and approved the re-appointment of Tessa Bamford as she has completed three years' service on the Board. Following a formal evaluation process, it was unanimously agreed that Tessa continues to be effective in (and that she demonstrates satisfactory commitment to) her role as a Director. Accordingly, the Board re-appointed Tessa, subject to annual re-election by shareholders, for a further three-year term. During this period Tessa will continue with the roles that she currently holds upon the Committees of the Board including her position as a member of the Audit Committee which she joined on 1 July 2012.

The letters of appointment of the Non-Executive Directors are available for inspection by any person at the Company's registered office during normal office hours and will also be available at the 2012 AGM

for 15 minutes before and throughout the meeting. The letters of appointment clearly set out the time commitment expected from each Non-Executive Director to ensure they satisfactorily perform their duties and each Non-Executive Director confirms that he/she is able to allocate the time commitment required at the time of appointment and during his/her annual effectiveness review.

Retirement and re-election of Directors

The Articles currently require Directors to submit themselves for re-election by shareholders at the first annual general meeting ('AGM') following their initial appointment to the Board and thereafter at intervals of no more than three years. All Board members will, however, in accordance with the Code, stand for re-election by the shareholders at the 2012 AGM (with the exception of Bob Davies (see page 43) and Clive Fenton who resigned from the Board on 5 July 2012), irrespective of their date of appointment and length of service on the Board. Each of the Directors has been subject to a formal performance evaluation process and it is believed that they all continue to be effective in, and demonstrate commitment to, their respective roles.

Biographical details of each of the Directors and supporting statements for the election or re-election of the Directors are set out on pages 40 and 41 of this report and in the Notice of the 2012 AGM. Details of the Executive Directors' service contracts can be found in the Remuneration Report on page 62.

The Board recommends that shareholders approve the resolutions to be put forward at the 2012 AGM relating to the election and re-election of Directors.

Induction

On joining the Company, each new Director participates in a full and formal induction process which includes site visits, meetings with all Board members and senior and operational management teams across the business. Each Director is also provided with an induction pack containing general and specific information relating to their role such as a schedule of meetings, copies of Board minutes and various policies and procedures, details of their duties as a director of a listed plc and other obligations under the various regulations governing the Company.

Development

In January of each year the Board meets for a full day to review and develop the overall business strategy of the Group which includes presentations from senior management within the Group as well as external professionals.

The Directors continue to update their skills, knowledge and familiarity with the Company by attending appropriate external and internal seminars and training courses, meeting with senior management and visiting regional and divisional operating offices and sites. Additionally, during the year, amongst other matters, updates and guidance on current live topics such as corporate narrative reporting, shareholder stewardship, diversity and fixed and variable elements of executive remuneration were provided to the Board. The Chairman regularly reviews and annually agrees training and development needs with individual Directors.

Information and support

The Chairman is responsible for ensuring that the Board receives accurate, timely and clear information. Each Director is issued with

an agenda, briefing papers and comprehensive operating and financial management reports for the period under review, generally a week before any Board meeting. The Group General Counsel and Company Secretary attends all Board and Committee meetings and all Directors have access to his advice and, if necessary, to independent professional advice at the Company's expense to assist with the discharge of their responsibilities as Directors.

All Directors are provided with a rolling three-year schedule of proposed meeting dates. Any Director who is unable to attend a meeting is invited to provide their views to the Chairman ahead of that meeting, having reviewed the agenda, briefing papers and management information. Reasons for non-attendance are recorded by the Group General Counsel and Company Secretary and either he or the Chairman will, thereafter, meet with any absent Director to go through any action points which are of relevance to that Director. Formal minutes of each Board meeting are prepared, circulated and submitted for approval at the next meeting.

Performance evaluation

The Board is responsible for undertaking a formal and rigorous annual evaluation of its own performance, that of its Committees and of individual Directors. Given that an external consultant undertook the performance evaluation of the Board and its Committees for the 2009/10 financial year, the Board agreed that it would, for the 2011/12 financial year, carry out the performance evaluation internally using the same performance evaluation process as it did for the 2010/11 financial year. Accordingly, each Director was asked to complete a separate confidential questionnaire on the effectiveness of the Board and each of the Committees of which he/she is a member. The Directors scored the performance of the Board and its Committees on various topics, including: contribution to strategy; risk management; financial and operating reporting; matters reserved for the Board; inter-relationships between the Board and its Committees; relations with advisers and regulators; and Board procedures. Responses were collated by the Group General Counsel and Company Secretary and a non-attributable report on the findings was formally presented to the Board in July 2012 for discussion. Thereafter the Chairman conducted one-to-one meetings with individual Directors in order to appraise the performance of each of them as Board members and explore the performance evaluation findings. Key outputs included a desire for more in-depth analysis of risk and crisis management plans, enhanced training and development and increased emphasis in all meetings on strategy development. An action plan to address these matters has been put in place. As a result of the performance evaluation the Board and each of its Committees reviewed and updated their terms of reference as appropriate.

During the year the Board and its Committees addressed all the issues raised as part of the 2010/11 performance evaluation process, including, development of succession plans for all levels of senior management (including the Executive Directors) and review of the annual Board strategy day agenda to encourage more focus on longer-term strategy as well as the short to medium-term strategies.

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

NOMINATION COMMITTEE



The Nomination Committee comprises the Chairman, the Chief Executive and all five Non-Executive Directors (Richard Akers joined the Nomination Committee on 2 April 2012). The Chairman chairs the meetings of the Nomination Committee, except when the business of the meeting relates to the appointment of his own successor. In accordance with Code provision B.2.1. the majority of members (the Non-Executive Directors) are considered independent by the Company.

Activities undertaken in respect of the 2011/12 financial year

The Nomination Committee operates within its terms of reference which can be found on the Company's website: www.barrattdevelopments.co.uk. The Nomination Committee met on four occasions during the year to consider, amongst other things:

- the structure, size and composition of the Board, having regard to the Board's balance of skills, experience, independence and knowledge;
- the development of succession plans for Directors and senior executives;
- the refreshment of the membership of the Board and its Committees, namely the appointment of Richard Akers as a Non-Executive Director and the appointment of all independent Non-Executive Directors to each of the Committees with effect from 1 July 2012;
- the leadership needs of the Group to ensure continued ability of the Group to compete effectively in the market;
- the implementation of a diversity policy relating to Board appointments;
- through performance evaluation, consideration of the time required from Non-Executive Directors to fulfil their duties; and
- the review and recommendations to the Board on the authorisation of conflicts of interest of new and existing Directors.

Bob Lawson

CHAIRMAN OF THE NOMINATION COMMITTEE

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

In light of Bob Davies' length of tenure as a Non-Executive Director and the likelihood of it coming to an end in the near term, the Nomination Committee assessed the balance of skills of the current Non-Executive Directors and identified the skills required by a potential candidate in order to fulfil the roles of an additional Non-Executive Director and possibly that of Chairman of the Remuneration Committee. The Nomination Committee also gave consideration as to the appropriate candidate to recommend to the Board to assume the role of Senior Independent Director. The Zygos Partnership, an independent external recruitment firm, was appointed to assist the Nomination Committee throughout the recruitment process. Details of a number of potential candidates from varying backgrounds, with different skills and of both genders, were provided to the Nomination Committee. A short list of four candidates was identified and each shortlisted individual was invited for an interview with the members of the Nomination Committee and subsequently all Directors. The merits of each candidate by reference to their relative experience, potential contribution to the business of the Board, their potential ability to promote the success of the Company and how their skills would complement those of the existing Board, were assessed. It was unanimously agreed by the members of the Nomination Committee that Richard Akers was the most suitable candidate. A recommendation to appoint Richard Akers as a Non-Executive Director was made to, and subsequently unanimously approved by, the Board. Richard joined the Board on 2 April 2012.

Prior to the appointment of Richard Akers as a Non-Executive Director, the Nomination Committee considered the fact that Richard is, and will continue to be, a director of Land Securities PLC ('Land Securities'), the listed parent company of the UK's largest commercial property group. Land Securities has in the past, and may in the future, consider possible joint venture arrangements with the Group or may competitively bid for land against the Group. Having considered the nature and extent of the relationship between Land Securities and the Group; the fact that Richard would not be directly involved in the negotiation or agreement of the contractual terms of any prospective joint venture arrangement between the parties; nor receive any documentation relating to such arrangements or competitive bids, the Nomination Committee confirmed to the Board that it is, and remains satisfied, that Richard Akers is not conflicted and is independent, a conclusion that the Board endorsed.

Following Lord Davies' report, 'Women on Boards' (the 'Davies Report'), the Nomination Committee has reviewed the recommendations on gender diversity, as part of its annual effectiveness exercise. The Committee's primary goal is to identify the most appropriate candidates to join the Board and other senior positions within the Group. However, in accordance with its terms of reference it seeks to ensure that in considering succession planning it has due regard to the benefits

of diversity for the Board (and for the Group as a whole), including gender. Reflecting endorsement of the key aims of the Davies Report, the Nomination Committee recommended and the Board has adopted, a policy on diversity relating to Board appointments, a copy of which is available on the Company's website www.barrattdevelopments.co.uk. Although the Board has not imposed a quota regarding gender balance, the Nomination Committee and the Board will remain fully cognisant of the need to ensure that the business reflects a diverse workforce, at all levels of seniority, when considering Board appointments and internal promotions, whilst always seeking to ensure that each post is offered strictly on merit to the best available candidate. As at 30 June 2012 the aggregate representation of women on the Board was 10% (one out of ten directors). Across the Group the Company employs approximately 1,459 women representing 32% of the total workforce of which 16% are in management positions.

Internal control and approach to risk management

The Board confirms in accordance with principle C.2 of the Code that it has maintained sound risk management and internal control systems, seeking to safeguard shareholders' investments and the Group's assets. The Board is responsible for seeking to determine the nature and extent of the significant risks that it is appropriate for the Group to take to achieve its strategic objectives and it is the responsibility of the Executive Directors and senior management to implement and maintain the Group's internal control and risk management systems within the governance and policy framework approved by the Board. The risk management and internal control systems have been in place throughout the year ended 30 June 2012 and up to the date of this report, and their effectiveness is regularly reviewed by the Board. The risk management and internal control systems and their effectiveness accord with the Turnbull guidance. The Group's system of internal controls is designed to manage risks that may impede the achievement of the Group's business objectives rather than to eliminate those risks entirely. The system of internal controls therefore provides only reasonable, not absolute, assurance against material misstatement or loss. The system of internal controls does, however, provide reasonable assurance that potential issues can be identified promptly and appropriate remedial action taken.

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

The Risk Committee, subject to the general supervision of the Audit Committee, is responsible for reviewing the effectiveness of the Group's internal control policies and procedures for the identification, assessment and reporting of risks and to assess individual key risks on a rolling basis. The Risk Committee consists of standing members comprising the Group Finance Director, Group General Counsel and Company Secretary, a Regional Managing Director and/or Regional Finance Director and the Chief Internal Auditor. Other members of the Executive, heads of function and senior managers attend meetings by invitation having regard to the business areas to be explored.

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

- i) a clear organisational structure with defined levels of authority and responsibility for each operating division;
- ii) financial and management reporting systems under which financial and operating performance is consistently reviewed against budget and forecasts at divisional, regional and Group level on a monthly basis;
- iii) identification and review of principal operational risk areas to ensure they are embedded in the Group's monthly management reporting system, so that risk identification and the control of risk are a routine aspect of management responsibility. Details of the principal risks and uncertainties and their relevance to the operation, and financial performance, of the Company are set out on pages 36 to 39 of the Business Review. Amongst other matters, the risks reviewed by management and the Board include:
 - the land and housing markets, including changes in the macroeconomic environment, sales and quality of product;
 - liquidity, including the availability of sufficient borrowing facilities;
 - attracting and retaining a high calibre of employees, including the development of a skilled and experienced workforce;
 - the availability of raw materials, subcontractors and suppliers;
 - land purchasing;
 - Government regulation and planning policy;
 - construction and new technologies, including achieving key milestones and the impact on the environment and social surroundings;
 - joint ventures and consortia;
 - safety, health and environment; and
 - failure of the Group's information technology systems; and
- iv) compliance with internal control and risk management systems is supported by the Group's internal audit team which is responsible for undertaking an annual audit plan, ad hoc audits and reporting to the Audit Committee, and, if necessary, the Board, on the operation and effectiveness of those systems and any material failings with them. The planned programme of audit appraisals across Group operations is approved by the Audit Committee and includes full divisional audits and targeted audits of key risk areas such as the land viability process, land acquisition control and monitoring, work in progress and subcontractor payment controls. Where the internal audit team does not have the expertise or resources required to conduct complex audits they deploy external expertise.

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

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

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

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

REPORT OF THE AUDIT COMMITTEE



Introduction from the Chairman

All members of the Audit Committee, as identified in Table 1 on page 43, are independent Non-Executive Directors in accordance with Code provision C.3.1. The Board is satisfied that I have recent and relevant financial experience.

The Audit Committee met on three occasions during the financial year and attendance at each of these meetings is set out in Table 1 on page 43. The Audit Committee's annual work programme requires it to meet a minimum of four times during a financial year. In respect of the 2011/12 financial year, the fourth meeting took place on 2 July 2012. All outstanding matters from the Audit Committee's 2011/12 annual work programme were dealt with at that meeting, ensuring that the Audit Committee completed its annual work programme in full. In addition to the Group General Counsel and Company Secretary, representatives from the auditor, Deloitte LLP ('Deloitte'), together with the Chief Internal Auditor, attended each of the Audit Committee meetings and met with the Committee independently of management and the Chairman. The Group Chief Executive, the Group Finance Director and other members of senior management are also invited to attend meetings (or parts thereof) as required.

To enhance the effectiveness of the Audit Committee, it was agreed that all Non-Executive Directors (excluding the Chairman) should be members of the Audit Committee. Consequently, Richard Akers and Tessa Bamford joined the Audit Committee with effect from 1 July 2012.

The following section details the work undertaken by the Audit Committee in respect of the 2011/12 financial year.

Mark Rolfe

CHAIRMAN OF THE AUDIT COMMITTEE

Activities undertaken in respect of the 2011/12 financial year

The Audit Committee follows an annual work programme which covers the principal responsibilities as set under its terms of reference (available from the Company's website www.barrattdevelopments.co.uk). The Audit Committee undertook, amongst other matters, the following activities in respect of the 2011/12 financial year:

- monitored the integrity of the Group's financial statements and reviewed all formal announcements relating to the Group's financial performance;
- monitored the Group's financial management and reporting systems and assessed the integrity and effectiveness of its accounting procedures, systems of internal control and the process for identifying and monitoring the material risks facing the Group;
- reviewed and challenged where necessary the consistency of, and any proposed changes to the Group's accounting policies;
- monitored the effectiveness, independence and objectivity of the external auditor, the ratio and quantum of audit and non-audit fees, the effectiveness of the external audit process and proposals for partner rotation;
- made recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditor including the appointment of a new lead audit partner;
- reviewed and monitored the effectiveness of the internal audit function, the annual internal audit plan and all reports produced by the internal auditor and management's responsiveness to the findings and recommendations of the internal auditor;
- reviewed its own composition as part of its annual effectiveness review and implemented the decision of the Board to appoint all Non-Executive Directors to each Board Committee resulting in the appointment of Tessa Bamford and Richard Akers as members with effect from 1 July 2012; and
- reviewed whistleblowing procedures and ensured that arrangements were in place for proportionate and independent investigation and follow-up action in respect of any matter raised pursuant to that process.

As well as carrying out the work associated with the annual financial reporting cycle under its annual work programme, the Audit Committee undertakes other responsibilities during the year including: reviewing the Audit Committee's terms of reference, non-audit fees policy, the whistleblowing policy, key accounting policies, the external audit plan and associated reports and undertaking its annual effectiveness review.

Re-appointment of Auditor

The Audit Committee considered the re-appointment of Deloitte as the auditor to the Company in September 2012. Deloitte was appointed as the auditor of the Company through an external tender process in 2007. In accordance with UK ethical and professional guidance on the rotation of audit partners, a new lead audit partner was appointed to the Company, after consideration of and interview of the short listed candidates in July 2012. Taking into account this appointment; Deloitte's objectivity and independence; the ratio of audit to non-audit fees; Deloitte's performance against the audit plan for the 2011/12 financial year; and the quality of advice and assistance received throughout the year, the Committee concluded that Deloitte's performance as auditor to the Company continues to be satisfactory and recommended to the Board that a resolution re-appointing Deloitte as the auditor to the Company be proposed at the 2012 AGM. That recommendation was subsequently endorsed by the Board. There are no contractual obligations which restrict the Audit Committee's choice of external auditor.

Auditor objectivity and independence

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

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

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

During the 2011/12 financial year Deloitte continued in their role as the Group's tax advisers, having been appointed to the position on 1 December 2010 following a competitive tender process in which four of the leading audit firms took part. The Audit Committee, having consulted with the Group Finance Director, concluded that the audit to non-audit fees ratio remained proportionate and in line with best practice guidelines and, given that the tax advisory services are managed by a partner who has no involvement with the audit of the Group, it remains satisfied that the appointment of Deloitte as tax advisers does not undermine their independence as the auditor to the Group and this has been confirmed by Deloitte. The Audit Committee also considered a discrete exercise that management proposed, and which was undertaken using the property expertise of Drivers Jonas Deloitte, which, again, the Audit Committee was satisfied did not impact Deloitte's independence.

The Audit Committee confirms that the guidelines described above were followed throughout the year; that there are no independence issues in respect of the auditor; and that the Policy has been appropriately complied with throughout the year under review. Details of the audit related and non-audit fees incurred by the Group can be found on page 89.

Remuneration Committee

All members of the Remuneration Committee, as set out in Table 1 on page 43, are considered by the Company to be independent in accordance with Code provision D.2.1. Richard Akers joined the Committee on 2 April 2012 and Mark Rolfe joined the Committee with effect from 1 July 2012. The Remuneration Committee met on five occasions during the financial year. Attendance at each of these meetings is set out in Table 1 on page 43. The full terms of reference for the Remuneration Committee are available from the Company's website www.barrattdevelopments.co.uk. The report of the Remuneration Committee is set out on pages 53 to 66.

Activities undertaken in respect of the 2011/12 financial year

The Remuneration Committee undertook the following activities in respect of the 2011/12 financial year:

- determined and reviewed the overall remuneration policy of the Group with regard to attracting, retaining and motivating directors and senior managers of the experience and calibre required by the Group having regard to remuneration paid to employees across the Group and an external comparable group of companies;
- determined, reviewed and made recommendations to the Board on the remuneration package and service contract of the Chairman;
- agreed targets and benefits in respect of performance related pay schemes, including long-term performance plans, for all participating employees which are: sufficiently challenging; fair and highly motivating; commensurate with sector practice; and consistent with maximising shareholder value and the interests and expectations of shareholders;
- determined the total remuneration package of the Group Chief Executive and after consultation with him, the total individual remuneration package of each Executive Director and senior management including bonuses, incentive payments and share options/awards and pension arrangements; and
- undertook consultations with institutional investors on remuneration policy and other aspects of senior remuneration, as appropriate.

The Remuneration Committee is also responsible for agreeing severance arrangements or other compensation for loss of office or early retirement for the Chairman, Executive Directors and senior management and appointing consultants to advise on executive remuneration. Details of the consultants utilised during the 2011/12 financial year can be found on page 55 of the Remuneration Report.

Employment policy and involvement

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

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

A key part of effective employee engagement is communication. The Company seeks to ensure that all significant events, economic factors and financial updates and the impact of these on the performance of the Group are communicated to employees through email alerts, core

briefings and regular newsletters. Additionally the Group Chief Executive regularly briefs senior and middle management via conference calls which gives them the opportunity to ask questions and enter into dialogue. Individually and collectively, the Board and the Executive Committee members visit operating divisions and sites frequently in order to assess operational performance, engage with employees on a one-to-one basis and gain first-hand experience of employees' aspirations and concerns.

The Group runs a graduate Recruitment and Development Programme consisting of a two-year multi-disciplinary programme of both on-job and off-job modules. 24 graduates completed their two year graduate programme in August 2012 and the Group has recruited 24 new graduates who commenced the first year of the Group's graduate programme in September 2012.

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

In February 2012 the Company invited all eligible employees of the Group to participate in the fourth grant under the Savings Related Share Option Scheme which was approved by shareholders at the Company's 2008 AGM (the 'SRSOS'). This gave those individuals who had participated in previous grants under the SRSOS, but not used up all of their entitlement, the opportunity to increase their savings and gave other employees the chance to participate in the SRSOS and become more involved in the Group's performance. As at 30 June 2012, approximately 41% of employees now participate in the SRSOS.

Whistleblowing

The Group's whistleblowing policy is supported by a robust whistleblowing procedure whereby individuals who become aware of possible improper, unethical or even illegal behaviour can either raise the matter with their manager or alternatively refer the matter to a confidential and independent whistleblowing reporting line (the 'Whistleblowing Number') which is available to all employees 24 hours a day, seven days a week. Any issues reported to the Whistleblowing Number are immediately brought to the attention of the Chief Internal Auditor. The Chief Internal Auditor reviews and investigates the issue, seeking guidance from appropriate individuals within the Group, such as the Group Chief Executive and/or Group General Counsel and Company Secretary, as and when he deems necessary. Whistleblowing is a standing agenda item for every Audit Committee meeting. The Chief Internal Auditor therefore updates the Committee regularly on any new whistleblowing incidents, ongoing investigations and the outcome of any completed investigations. The Audit Committee also assesses the adequacy of the Group's whistleblowing policy in accordance with the requirements of the Code as part of this process.

Relations with shareholders

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

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

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

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

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

Going concern

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

The Group's business activities, together with factors which the Directors consider are likely to affect its future development, financial performance and financial position are set out in the Group Chief Executive's Review on pages 8 to 15 and the Business Review on pages 18 to 35. The material financial and operational risks and uncertainties that may impact the Group's performance and their mitigation are outlined on pages 36 to 39 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 25 to the financial statements.

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the principal risks and uncertainties on pages 36 to 39, factors that particularly impact upon the performance of the Group include changes

in the macroeconomic environment, such as buyer confidence, availability of mortgage finance for the Group's customers and interest rates.

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

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

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

Accordingly, after making enquiries, the Directors have formed a judgement, at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these financial statements. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Post balance sheet events

As noted above, on 6 September 2012 the Group gave voluntary notice to cancel the £90m RCF with effect from 12 September 2012, which reduces the Group's total committed facilities and private placement notes to £1,001m.

On behalf of the Board

Tom Keevil

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

11 September 2012

REMUNERATION REPORT



I am pleased to present the Directors' remuneration report for the financial year ended 30 June 2012 (the 'Remuneration Report') on behalf of the Remuneration Committee (the 'Committee'). The Remuneration Report is prepared in accordance with schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410) (the 'Regulations') and will be subject to an advisory vote at the 2012 AGM. Following implementation of the proposed new remuneration reporting regulations, the Company intends to align its future reporting with those regulations as soon as practicable after they come into effect.

The Board recognises that the Group's remuneration policy should reflect the Group's strategy to increase profitability and reduce overall indebtedness in a challenging market whilst seeking to attract, retain and motivate directors and senior managers of the quality required to enable successful future growth of the Group. At the same time executive remuneration must remain aligned with the long-term performance of the Group and the interests of shareholders. In determining the levels of remuneration for Executive Directors and members of senior management directly below the Executive Director level (the 'Senior Management'), consideration is given to the overall performance of the Group, the fixed and variable incentives offered by comparable companies in the sector and a general group of 40 pan-sector FTSE 350 members and the pay and employment conditions being offered to employees throughout the Group. Targets to drive increased profitability and reduced overall indebtedness are features of the short and long-term incentive schemes to ensure that Executive Directors' and Senior Management performance is appropriately aligned with our corporate strategy.

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

1. The base salaries of Steven Boyes and David Thomas have been adjusted to reflect an increase in responsibilities (following the resignation of Clive Fenton from the Board on 5 July 2012). Mark Clare has been awarded a salary increase of approximately 3% for the 2012/13 financial year, which is in line with the increases awarded to employees across the Group. To provide some context, this is the second year in the last five years where any increase has been made to Executive Directors' salaries.
2. Given the significantly improved financial performance of the Group, the bonus payments for the 2011/12 financial year are at 148.75% of base salary after taking account of adjustments for the value of land sales. The Committee, on reviewing performance against the targets, concluded that, after taking into account the Group's significant improvement in profit before tax and exceptional items (which represents 80% of the total award for the year) to £110.7m against the minimum threshold established for the bonus of £85m, a target level of £95m and a maximum threshold of £115m; reduction in overall indebtedness; and individual contributions of all senior managers to achieving these results, this level of bonus is justified.
3. For the 2012/13 financial year, Executive Directors and the Senior Management will be granted awards under the Long-Term Performance Plan (the 'LTPP'). Consistent with the approach taken in previous years, the Committee has decided to revert to making awards of 200% of base salary for the three Executive Directors but all other participants' awards will be maintained at 150% of base salary. All awards under the LTPP will be subject to two performance conditions: half will be based on relative Total Shareholder Return ('TSR') and the other half on Earnings per Share ('EPS') targets to be measured over a three year performance period commencing 1 July 2012.
4. In May 2012, the Board reviewed the roles of the Non-Executive Directors and decided that they will sit on each principal Committee of the Board with effect from 1 July 2012. Consequently, Non-Executive Directors' base annual fees have been increased to £48,000 from £40,000 to reflect the additional time commitment expected from them, with effect from the same date. This is the first increase for Non-Executive Directors since 2008. The Chairman's fee will however remain unchanged.
5. The Board will be asking shareholders at our forthcoming AGM to approve the renewal of the LTPP for a further ten years. The only substantial amendment to the LTPP relates to the specific inclusion of clawback provisions for any awards made under the LTPP going forward. Since 2010, clawback provisions have been agreed with, and accepted by, the Executive Directors and the Senior Management each time an award under the LTPP has been made.
6. In order to seek to mitigate the impact of key employees below Senior Management level taking up new job opportunities with competitors, particularly in London and the South East, we have introduced a limited Long-Term Incentive Plan (the 'LTIP') for approximately 30 of these employees. Awards under the LTIP are dependent on the Company achieving EPS targets as per the existing LTPP.

During the year the Committee complied with those aspects of the UK Corporate Governance Code (the 'Code') relevant to its business and took into account remuneration guidelines and guidance issued by the Association of British Insurers (the 'ABI'), NAPF and PIRC when setting its remuneration policy. The Committee continues to seek to demonstrate its accountability on executive remuneration to shareholders through this report and through dialogue with institutional investors. As in previous years, the Committee did engage in dialogue with key institutional investors and shareholder representative bodies in respect of the Group's remuneration policy for Executive Directors and Senior Management for the forthcoming year. The Committee took into account the feedback it received from this process, when setting the Group's remuneration policy.

The Committee will consider both the shareholders' vote on the report and views expressed by shareholders on the detail of the report at the 2012 AGM in determining future remuneration policy for all employees. It will also undertake a review, with the assistance of its legal and financial advisers, of the Group's current remuneration policy in line with the Government's announcement in June 2012, once the applicable regulations have been finalised. I hope that you will be able to support the Committee's policy at this year's AGM.

After eight years on the Board of the Company, six years as the Chairman of the Committee and three years as Senior Independent Director, I have decided to step down from each of these positions at the 2012 AGM. I am delighted to report that the Board has agreed to appoint Richard Akers as the new Chairman of the Committee (subject of course to the annual shareholders' vote on re-election of directors). In order to enhance the effectiveness of the Committee further, Mark Rolfe joined the Committee as a member on 1 July 2012.

Robert Davies

CHAIRMAN OF THE REMUNERATION COMMITTEE

The Committee

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

Principal responsibilities

The principal responsibilities of the Committee are:

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

The Committee is also responsible for appointing consultants to advise on executive remuneration. Details of the consultants utilised during the financial year ended 30 June 2012 are set out below.

Membership and proceedings of the Committee

The members of the Committee throughout the financial year were Bob Davies (Chairman), Bob Lawson, Rod MacEachrane and Tessa Bamford. Richard Akers also joined the Committee on 2 April 2012. The Group General Counsel and Company Secretary, Tom Keevil, acts as Secretary to the Committee. The Committee met on five occasions during the financial year and attendance at each of these meetings is described in Table 1 on page 43 of the Corporate Governance Report. All Committee members are considered to be independent with no financial interest in the Committee's decisions, other than as shareholders and the fees paid to them as Non-Executive Directors. The only material issue that arose from the annual effectiveness exercise was whether the Committee needed more strength in depth given the envisaged legislative changes in this area. Accordingly, Mark Rolfe joined the Committee with effect from 1 July 2012. The Committee also updated its Terms of Reference as part of the annual effectiveness process. Details of Directors' shareholdings can be found on page 64 of this Remuneration Report.

As announced on 25 July 2012, Bob Davies will step down from his position as a Director of the Board at the 2012 AGM and taking into consideration the skills, knowledge and experience of each of the Non-Executive Directors, the Board identified Richard Akers as the most suitable Non-Executive Director to replace Bob Davies as the Chairman of the Committee.

Advice/Advisers

During the year the Committee has taken advice from independent advisers, New Bridge Street ('NBS'), a division of Aon Hewitt Limited, which is a subsidiary of Aon plc. NBS was appointed by the Committee as its remuneration consultant in 2008 and is a founder signatory to the Remuneration Consultants Group's Code of Conduct. In addition to advising the Committee, NBS also provided the Company with advice on implementing decisions made by the Committee and remuneration benchmarking. NBS's fees for providing such advice amounted to £26,053 (2011: £27,000) for the year ended 30 June 2012. Aon Hewitt Limited also provided broking services to the Company in respect of private medical insurance, Death in Service benefits and Group Income Protection. In line with best practice, the Committee assesses, from time to time, whether the appointment remains appropriate or if it should be put out to tender as part of its effectiveness review. Given a change in personnel at NBS, the Committee undertook such an assessment during the year and remains satisfied with NBS's appointment, and the new lead adviser, as remuneration advisers to the Committee. Mercer Limited has advised the Company in relation to various pension issues and has been appointed actuary to the Barratt Group Pension and Life Assurance Scheme since 2004. Slaughter and May, the Company's corporate legal advisers, have also provided advice as and when necessary.

In addition to advice from external consultants, the Committee received input into its decision-making from the Group Chief Executive and the Group General Counsel and Company Secretary, neither of whom was present at any time when his own remuneration was being considered.

Remuneration policy

The Group's remuneration policy aims to attract, retain, motivate and reward Executive Directors and the Senior Management who are fully focused and incentivised by short and long-term measures to sustain the growth and profitability of the business and reduce overall indebtedness, which remain the Group's key strategic objectives. Each year the Committee reviews the policy on executive remuneration in the context of the business environment, regulation and best practice, and market trends for the current and subsequent financial years.

The Committee believes that executive remuneration should:

- be fully aligned with the performance and strategic objectives of the Group (such as increasing profitability and reducing overall indebtedness);
- be aligned with the interests and expectations of shareholders;
- take account of pay and employment conditions of employees across the Group;
- reward the sustained growth and profitability of the business and the reduction of overall indebtedness; and
- conform to market-leading best practice and regulations.

The Committee has therefore based the executive remuneration package for the forthcoming year on the following principles:

- performance-related remuneration should be linked to the achievement of demanding performance targets;
- performance-related remuneration should reflect the reallocation of responsibilities upon the appointment of Steven Boyes as Chief Operating Officer and changes to the role performed by David Thomas; currently approximately 72.2% of the Group Chief Executive's and approximately 72.3% of the other Executive Directors' remuneration potential is performance based (see Charts 1 and 2);

- performance-related remuneration should align the interests of executives with those of shareholders by setting performance targets based on measures of shareholder return and accordingly the Committee's policy is to use a combination of TSR and EPS performance conditions to achieve this alignment;
- total remuneration for outstanding performance should be competitive with that available elsewhere in the sector; and
- total remuneration should take into account levels of pay and employment conditions throughout the Group.

Chart 1:

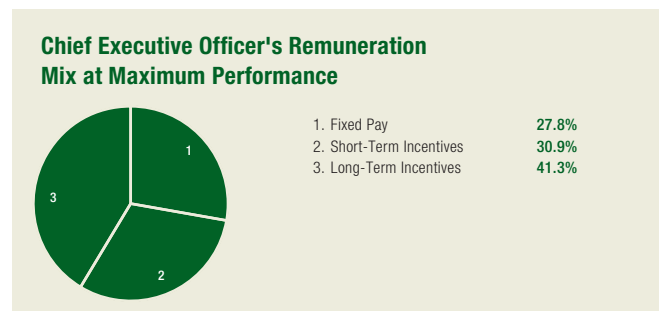
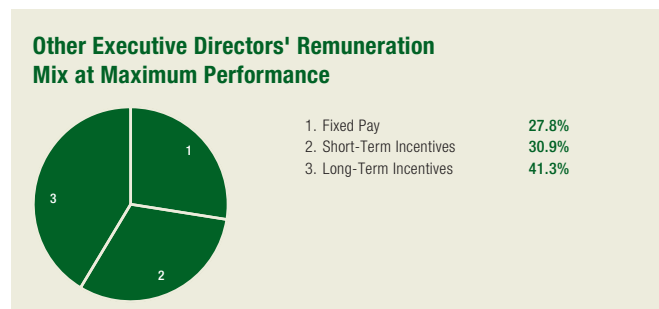


Chart 2:



The Committee has the discretion to, and does, consider the effect of corporate performance on environmental, social and governance risks and issues when setting the remuneration of the Executive Directors and the Senior Management to ensure that remuneration structures do not inadvertently motivate irresponsible behaviour. As a result, 10% of any bonus earned will be forfeited if the Group does not achieve its safety, health and environmental compliance targets (see page 31 of the Business Review). During the year the Committee considered the structure of Executive Directors' and the Senior Management's remuneration packages from a general risk perspective and is satisfied that they do not encourage inappropriate risk taking. Risk is also taken into account when setting the targets and when determining entitlements under variable reward schemes. The Committee ensures that targets, whilst stretching, are: realistic and attainable; for the long-term benefit of the Group; and not achievable by taking inappropriate business risks.

In undertaking its review of the Group's remuneration policy, the Committee considered a proposal by the Board to seek to mitigate the impact of key employees below Senior Management level taking up new job opportunities with competitors operating nationally, but most notably in London and the South East. Recognising the risks associated with losses from this talent pool, the Committee approved the introduction of the LTIP for approximately 30 employees operating immediately below Senior Management level. The Executive Directors' and Senior

Management will not be granted any awards under the LTIP. On an annual basis, subject to prior approval from the Committee the equivalent of 20% of each participant's salary will be deferred into the LTIP. The LTIP will be subject to an EPS performance condition on the same basis as any LTPP award which may be granted during the 2012/13 financial year (thereby aligning the objectives) and subsequent LTPP awards and a continued employment condition. In the event that the participant is still an employee of the Group at the end of the three year performance period and the Group achieves the specified EPS targets, the participant will receive an equivalent number of shares to the amount of bonus deferred. By using the same stretching EPS targets as the LTPP, the Committee is ensuring that the LTIP is aligned with our strategic objectives of increasing profitability and reducing overall indebtedness.

Clawback

The Company has a power of clawback in respect of any annual bonus paid and to any share awards granted under the LTPP or the Executive Share Option Scheme (the 'ESOS') in respect of the financial year ended 30 June 2010 and later years, subject in the case of HMRC approved options, to such approval. These provisions have, since 2010, been agreed with, and accepted by, Executive Directors and Senior Management at the time of granting any new awards under the LTPP or ESOS. It is intended to embed these provisions in the amended rules of the LTPP which are to be presented for approval by shareholders at the 2012 AGM. In addition, the clawback provisions will also apply to any awards granted under the LTIP.

The clawback can be invoked if:

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

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

Executive Directors' shareholding guidelines

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

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

These guidelines are currently only applicable to Steven Boyes

and Mark Clare. David Thomas joined the Company in July 2009. On 30 June 2012, Mark Clare, Steven Boyes and Clive Fenton each met the requirements under these shareholding guidelines.

There are no formal shareholding guidelines for the Chairman, the Non-Executive Directors and the Senior Management, however they are encouraged to hold shares in the Company in order to align their interests with those of shareholders.

The remuneration package for Executive Directors and the Senior Management

The remuneration package for Executive Directors and the Senior Management comprises:

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

The performance conditions which apply to the performance related element of executive remuneration are the same for all Executive Directors and the Senior Management and are set out in the following sections of this Remuneration Report. Details on how the expected values for share based payments are calculated can be found in note 28 to the financial statements on pages 118 to 123.

Base salary

Base salaries for Executive Directors and the Senior Management are a fixed annual sum payable in monthly instalments in cash. Base salaries are reviewed annually, with assistance from NBS, having regard to: individual responsibilities, skills and experience; salary levels for similar positions in other major house builders and other comparable companies comprising the FTSE 250 and a general group of 40 pan-sector FTSE 350 members with a market capitalisation and turnover of between 50% and 200% of that of the Company; the level of pay increases awarded across the Group; economic and market conditions; and the performance of the Group. Any changes to base salary take effect from 1 July annually.

On 5 July 2012, Clive Fenton resigned as a Director of the Company and all relevant Group companies. He remains an employee of the Company until 31 December 2012, during which time he will receive a base salary of £25,000 per month and a benefits package comprising the provision of a motor vehicle and private medical insurance. He is also required to comply with certain non-compete covenants during this period of employment and a further six months thereafter. His executive responsibilities were primarily subsumed within the revised remit of Steven Boyes who was appointed as Chief Operating Officer ('COO') for the Group, and to a lesser extent by David Thomas.

In recognition of the additional responsibilities assumed by him, Steven Boyes has been awarded an increase in his base salary of approximately 10.5% to £430,000 per annum. David Thomas' base salary has also been increased by approximately 5.4% to £430,000 partially also to reflect an increase in his responsibilities. In addition, David's pension contribution rate has been increased to 30% so that it corresponds with the rate for the other Executive Directors. The Committee has agreed to award Mark Clare a salary increase of 3.3% for the 2012/13 financial year, in line with the salary increases awarded to the Senior Management and all employees across the Group. Executive Directors' salaries, with effect from 1 July 2012, will therefore be as shown in Table 2.

Table 2 – Executive Directors’ salaries

	Per annum	
	1 July 2012 £	1 July 2011 £
Mark Clare	664,000	642,600
David Thomas	430,000	408,000
Steven Boyes	430,000	390,000
Clive Fenton	390,000 ¹	390,000

¹ Clive Fenton resigned from his position as an Executive Director on 5 July 2012, but remains an employee of the Group until 31 December 2012 as set out on page 56.

Annual bonus

The Company’s annual bonus plan aims to motivate and reward Executive Directors and the Senior Management for the achievement of demanding financial objectives and key strategic measures as set by the Board. The Committee ensures that performance measures for bonuses are stretching whilst having regard to the nature and risk profile of the Company and the interests of its shareholders.

2012/13 financial year

For the financial year ending 30 June 2013, the Committee has maintained the maximum bonus for Executive Directors and the Senior Management at 150% of base salary but simplified the bonus structure, so that depending upon performance, this flexible element of remuneration will pay an amount between 0% and 150% of base salary on a linear basis. Any awards in excess of 100% of base salary will be deferred into shares in the Company, held under the Co-Investment Plan for a period of three years with a continued employment condition. No other performance conditions will apply to this award and the Committee has agreed that no matching shares will be awarded against these shares. The payment for on-target performance will again remain at 75% of base salary, however the ratio of profit before tax to overall indebtedness has been adjusted from 120:15 to 100:35. It is worth noting that the on-target and maximum bonus potential for the forthcoming year still remain below the levels in place prior to the economic downturn, which were at 130% and 180% of salary respectively. In addition, the Committee has retained an absolute discretion in the making of bonus payments, and will continue to consider, among other factors, the underlying financial performance of the business relative to the sector in its decision making.

The performance measures against which bonus payments for the 2012/13 financial year will be determined are as follows:

Performance measure	% of Salary Maximum
Profit before tax	100
Overall indebtedness	35
Personal objectives	10
Employee engagement	5
Total	150*

*Any bonus earned in excess of 100% will be deferred into shares.

In addition to these performance measures, the Committee has retained the penalties introduced last year for under-performance in respect of customer service and safety, health and environment. The customer service penalty has however been revised so that performance is no longer measured against the achievement of the on-target percentage for customer service but is dependent on the achievement of five star

status for both the Recommend score and the Quality score under the Home Builders Federation scheme. Failure to achieve this will result in 10% of any bonus earned being forfeited. In terms of safety, health and environment, 10% of the total bonus earned will be forfeited for failure to achieve the on-target performance measure. As a result, if neither of these performance measures were to be achieved, in aggregate 20% of the annual bonus earned would be forfeited.

2011/12 financial year

For the financial year ended 30 June 2012, the Committee has approved a bonus payment to Executive Directors (no part of which is pensionable) of 148.75% of base salary (48.75% of which will be deferred into shares) based on performance against profit before tax, cash generation, employee engagement and individual objectives and after taking account of adjustments for the value of land sales. The Committee believes that after taking into account the Group’s significant improvement in profit before tax and exceptional items (which determined 80% of the total bonus for the year) to £110.7m against the minimum threshold established for the bonus of £85m, the target level of £95m and maximum threshold of £115m; the reduction of overall indebtedness to £167.7m; and the contribution that the Executive Directors and the Senior Management have individually and collectively made to this strong operational and financial performance, this level of bonus is justified. Clive Fenton will receive no bonus in respect of the 2011/12 financial year or the 2012/13 financial year.

Share incentive schemes

During the year the Committee undertook a review of the share incentive schemes currently in operation and agreed that grant levels, performance criteria and vesting schedules remain appropriate to the Company’s current circumstances and prospects. There have been no significant amendments to the terms and conditions of any entitlement under any scheme. Details of all Executive Directors’ long-term performance plans and share options are set out in Tables 7 and 8 respectively on pages 64 and 65.

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

TSR

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

EPS

The EPS for the Company is calculated by dividing the earnings in EPS over a three-year performance period by the weighted average number of ordinary shares in issue at the end of the performance period (excluding those held by the Employee Benefit Trust). For all schemes (except for the 2009/10 ESOS) performance against the EPS target is tested after the end of a three-year performance period. Details in respect of the testing of the 2009/10 ESOS can be found on page 60 of this Remuneration Report.

TSR performance is calculated by NBS and EPS performance is verified by the Committee.

New awards to be granted during the financial year ending 30 June 2013

Consistent with previous years, the Committee has decided to grant LTPP awards to Executive Directors and the Senior Management during the financial year ending 30 June 2013.

The LTPP was approved by shareholders at the AGM held in November 2003. Awards under the LTPP are at the discretion of the Committee, taking into account individual performance and the overall performance of the Group. An employee is not eligible to receive options under the ESOS and awards under the LTPP in the same financial year. The ten year limit on powers to grant any awards under the current LTPP expires on 12 November 2013. Consequently, a resolution seeking the approval of shareholders to extend the LTPP for a further ten years, to 12 November 2023, will be proposed at the 2012 AGM. The Committee has also taken this opportunity to review and update the rules of the LTPP in order to take into account legislative changes and to include specific provisions relating to the Committee's power of clawback. Further details can be found in the Notice of the 2012 AGM.

Any LTPP awards that are made in the 2012/13 financial year (the '2012/13 LTPP Award') will not exceed 200% of base salary for each of the Executive Directors and 150% of base salary for all other participants. The 2012/13 LTPP Award will be subject to three-year TSR and EPS conditions. The vesting of half of the 2012/13 LTPP Award subject to a TSR condition will be dependent upon the Company's performance over three years, commencing 1 July 2012, against the constituents of the FTSE 250 (excluding investment trusts).

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

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

The other half of the award which is based on an EPS measure will vest on the attainment of the EPS target for the financial year ending 30 June 2015. Reflecting the significant improvement in the Company's performance, current consensus targets for profit before tax for the financial year 2014/15, the Board's assessment of the optimal scale of the business and the need to ensure continued focus on managing debt, the levels of vesting against the EPS will be as follows:

EPS target – Financial year 2014/15	Level of vesting of EPS element
26 pence per share or higher	100%
22 pence per share	50%
18 pence per share	25%
Below 18 pence per share	0%
Between 22 pence and 26 pence per share	Straight-line basis between 50% and 100%
Between 18 pence and 22 pence per share	Straight-line basis between 25% and 50%

In addition to the above, vesting of the 2012/13 LTPP Award will be subject to an overriding Committee discretion, in that the Committee must be satisfied that the underlying financial performance of the Group over the performance period warrants the level of vesting as determined by applying the above targets. If the Committee is not of this view, then it is empowered to reduce the level of vesting.

Co-Investment Plan

The Committee has decided to use the Co-Investment Plan (the 'Plan') to hold shares awarded in respect of any bonus earned in excess of 100% of base salary. Any shares so awarded are subject to a continued employment performance condition over a three-year performance period. The Committee has agreed that no matching shares will be awarded against these shares.

The Plan was approved by shareholders at the AGM held in November 2005 for the purpose of compulsorily deferring any annual bonus earned above target into shares held under this Plan. Participants also have the opportunity to voluntarily defer additional amounts of annual bonus up to a maximum of 25% of base salary into the Plan. Under the rules of the Plan the Committee has a discretion which allows it to award matching shares at a rate of one for one for compulsory deferral and at a maximum of four for one for voluntary deferral (the 'Matching Award'). Any Matching Awards will be subject to performance conditions measured over a period of three years.

For the financial years ended 30 June 2010 and 2011 no bonus was earned in excess of 100% of base salary by Executive Directors and Senior Management, and therefore no shares were deferred into the Plan. For the financial year ended 30 June 2012, Executive Directors (other than Clive Fenton who will not receive any bonus for the 2011/12 financial year) earned, in aggregate, a bonus of £702,293 in excess of 100% of base salary, which will be deferred into shares based on the share price as calculated by averaging the closing middle-market quotations, as derived from the Daily Official List of the London Stock Exchange, for the first five dealing days following the date of the announcement of the Group's annual results for the financial year ended 30 June 2012. The actual awards will be set out in next year's report. Any bonus earned in excess of 100% of base salary by the Senior Management for the 2011/12 financial year will also be deferred into the Plan on the same basis.

Executive share awards granted during the year

Long-Term Performance Plan

During the year the Company granted LTPP awards to the Executive Directors (the '2011/12 LTPP'). The 2011/12 LTPP was based on an allocation of ordinary shares equivalent in value to a maximum of 150% of base salary and is subject to three-year TSR and EPS performance conditions. There is no re-testing of performance conditions.

Performance conditions

Half of the 2011/12 LTPP will vest on the attainment of a performance target based on TSR over a three-year performance period commencing 1 July 2011.

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

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

The other half of the 2011/12 LTPP will vest on the attainment of EPS targets for the financial year ending 30 June 2014. The Committee believed given the macroeconomic uncertainties surrounding the Group's future performance at that time, that a wide target range should be set for the EPS element in order to ensure full engagement from management by having an achievable minimum vesting level whilst requiring outstanding performance to achieve maximum level of vesting. Accordingly, the EPS targets and corresponding levels of vesting are as follows:

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

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

Savings Related Share Option Scheme

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

The SRSOS was implemented in order to promote share ownership amongst all employees of the Group, linking employee benefit to the performance of the Group and to aid retention of staff. All employees and Executive Directors who work more than 25 hours per week, and have five or more years of continuous service with the Company (or any subsidiary in the Group nominated to join in the SRSOS) ending on the date of grant are eligible to participate in the scheme. The Board has discretion to reduce the period of qualifying service and to invite other

employees of the Group to participate. Under the SRSOS, employees can save up to £250 per month for three or five years and receive options to purchase the Company's shares at a discount of up to 20% on the market value. In March 2012, 1,623 employees (39.5% of those eligible) applied to participate in the fourth grant of options under the SRSOS at an exercise price of 125 pence per share.

Outstanding Executive share awards

Long-Term Performance Plan

In December 2010 the Company made awards under the LTPP (the '2010/11 LTPP'). These awards were based on an allocation of ordinary shares equivalent in value to a maximum of 150% of base salary and are subject to three-year TSR and EPS performance conditions. There is no re-testing of performance conditions.

Performance conditions

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

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

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

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

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

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

Executive Share Option Plan

The award granted under the Executive Share Option Plan (the 'ESOP') in 2003 at an exercise price of 357.37 pence per share vested in 2006, however, there are a number of participants, including Steven Boyes, who are still to exercise the options granted to them.

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

Under the rules of the ESOP no further options can be granted under this plan. Options which have been granted to Executive Directors in previous years remain unchanged and are set out on page 65.

Vesting of the 2009/10 ESOS

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

As the Committee has decided to grant awards under the LTPP for the 2012/13 financial year it will not be making any grants under the ESOS as an employee is not eligible to receive options under the ESOS and awards under the LTPP in the same financial year.

The last grant made under the ESOS was the 2009/10 ESOS, which is subject to TSR and EPS performance conditions. The Committee chose these targets as the most appropriate measure of financial performance for a house builder at the time of the grant, as they are a fundamental measure of the Group's underlying performance and are directly linked to the generation of returns to shareholders.

Performance conditions

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

Levels of vesting against the TSR targets were as follows:

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

The TSR element was tested after 30 June 2012 and as the result was below median, none of the TSR element of the award will vest.

The EPS element of the award has three separate annual components with the Committee setting targets annually for the following financial year. Performance against each annual EPS target is tested at the end

of each of the financial years during the performance period and each year's EPS target will determine the vesting level of one sixth of the total award. It should be noted that the approach of using three one-year targets was adopted due to the uncertain economic conditions prevailing in 2009 when options under the ESOS were first granted. The Committee has since reverted back to the policy of setting three-year targets.

The EPS targets are before exceptional items and the impact of the reduction in the corporation tax rate from 28% to 24%. The level of vesting for the financial years ended 30 June 2010, 2011 and 2012 were as follows:

	2011/12	2010/11	2009/10
Amount of EPS Element Available for Vesting (one third of 50%)	16.67%	16.67%	16.67%
Minimum Target	5.8 pence	2.8 pence	-4.4 pence
On Target	7.3 pence	4.3 pence	-2.8 pence
Maximum Target	8.9 pence	7.3 pence	1.8 pence
Achievement Against Target	100.0%	39.0%	57.6%
Actual Level of Vesting	16.7%	6.5%	9.6%*

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

Subject to the Committee's overriding discretion to take into account, among other factors, performance relative to the sector and the underlying financial performance of the business, including free cash flow, when deciding if the level of vesting is justified, a cumulative total of 32.8% of the award is likely to vest on 10 December 2012 (being three years from the date of grant). Executive Directors and the Senior Management will then have until 10 December 2019 to exercise their options, otherwise they will lapse.

Executive share awards lapsed during the year

Executive Share Option Scheme

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

The options were tested during the 2011/12 financial year and, as the ROCE performance target had not been achieved, the options lapsed.

Recruitment Award to Group Finance Director

The recruitment award made to David Thomas in recognition of his loss of benefit under his previous employer's long-term incentive and share option plans, which was subject to the same performance targets as the options granted under the 2008/09 ESOS and was on substantially the same terms and conditions as those options, was also tested and lapsed after 30 June 2011.

Dilution

On maturity or vesting of any of its share incentive schemes the Company seeks to satisfy the shares through: a new issue of shares; market purchases; or the Employee Benefit Trust (the 'EBT'). As at 30 June 2012

the Company proposes to satisfy outstanding options under the 2009/10 ESOS, the SRSOS and the ESOP through a new issue of shares. All other share schemes, including the LTPP, are to be satisfied through shares currently held or to be purchased in the market by the EBT.

The Company regularly monitors the number of shares issued under its schemes and the impact on dilution limits. The Company is satisfied that as at 30 June 2012 its usage of shares is compliant with the relevant dilution limits set by the ABI in respect of all share plans (10% of the Company's issued share capital in any rolling ten-year period) and discretionary share plans (5% of the Company's issued share capital in any rolling ten-year period). In the event that the outstanding options under each of the schemes to be satisfied through a new issue of shares were to vest and had been exercised on 30 June 2012, the resulting issue of new shares would represent 1.34% of the Company's issued share capital as at that date.

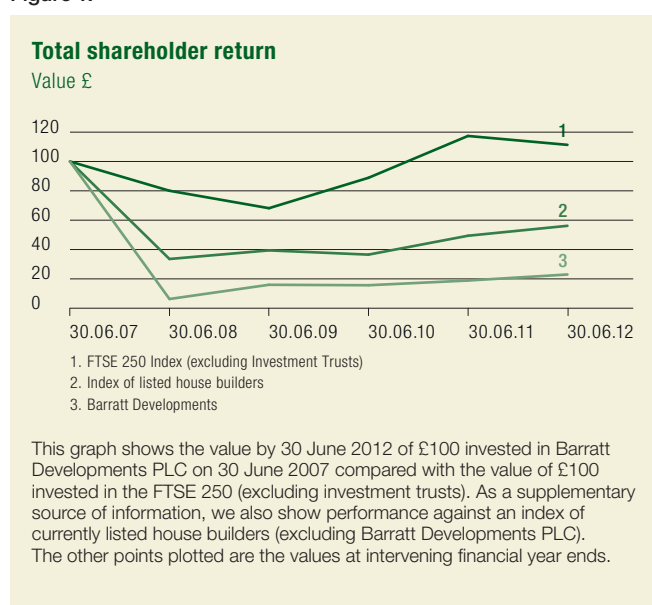
Change of Control

The rules of each share scheme operated by the Company contain provisions relating to a change of control. In the event that a change of control does occur any unvested options/awards will become vested on the date of the relevant event. However, the number of options/awards that vest will be pro-rated depending on the number of weeks completed within the relevant performance period and the level of performance conditions achieved during that period. Options/awards which have already vested as at the date of the relevant event may still be exercised within prescribed timescales set out in the rules.

Total Shareholder Return performance graph

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

Figure 1:



Pension benefits

The Company's pension policy for Executive Directors is that they can choose to participate in the Company's money purchase pension plan or receive a cash supplement that does not count for incentive purposes. Only the base salary element of a Director's remuneration is pensionable. The defined benefit section of the Barratt Group Pension and Life Assurance Scheme (the 'Scheme') was closed to new entrants in 2001 and it ceased to offer future accrual of defined benefits for current members with effect from 30 June 2009. Mark Clare is paid a cash supplement equal to 30% of his base salary per annum. David Thomas was, for the 2011/12 financial year, entitled to a cash supplement equal to 25% of his base salary, 18.5% of which he received in cash and the remaining 6.25% was paid into the defined contribution section of the Scheme. For 2012/13 financial year David Thomas' cash supplement has been increased to 30% of base salary so that it corresponds with the rate given to the other Executive Directors.

Up until 30 June 2009, when the defined benefit section of the Scheme ceased to offer future accrual of defined benefits for current employees, Steven Boyes and Clive Fenton were members of the defined benefit section of the Scheme. This entitlement was based on a 1/60 accrual rate and a normal retirement age of 65. The entitlement of Clive Fenton was restricted by the earnings cap imposed under the Finance Act 1989 for service up to 5 April 2006 and thereafter was calculated by reference to his base salary. Since 1 July 2009, Steven Boyes and Clive Fenton have been entitled to receive a cash supplement equal to 30% of their respective base salaries per annum. Steven Boyes receives the full 30% as a cash supplement and, until his resignation from the Board on 5 July 2012, Clive Fenton received 18.68% as a cash supplement and the remaining 11.32% was paid into the defined contribution section of the Scheme.

The last full actuarial valuation of the Scheme as at 30 November 2010 showed a deficit of £66.5m calculated on the basis of the Scheme's technical provisions. The Company and the Trustees of the Scheme have agreed a plan to pay off the shortfall which requires the Company to continue to make deficit reduction payments of £13.3m per annum until 31 January 2017. The valuation for the financial statements was updated to 30 June 2012 by a qualified independent actuary and a deficit of £21.4m (2011: £11.8m) is included in the Group balance sheet as shown in note 26 of the financial statements. On 30 June 2009, the Company exercised its consent under the rules of the Scheme and agreed to cease offering future accrual of defined benefits for its current employees. Members of the Scheme became eligible to join the defined contribution money purchase section of the Scheme with effect from 1 July 2009. The Company will continue to pay the deficit reduction contributions at a level not lower than the £13.3m agreed in December 2008 and will discuss the funding requirements of the Scheme with the Trustees if any material change in the Group's financial circumstances is anticipated.

Members of the Scheme are also eligible for an insured lump sum of up to five times pensionable salary on death in service. Current employees who were members of the defined benefit section of the Scheme at closure also retain their dependants' pension entitlements.

No excess retirement benefits have been paid to or are receivable by current and/or past directors in respect of their qualifying services during the financial year and there are no arrangements in place that guarantee pensions with limited or no abatement on severance or early retirement.

Service contracts

In accordance with the Company's policy, it engages all Executive Directors on the basis of one-year rolling contracts which can be terminated by 12 months' notice given by either the Company or by the Executive at any time. There are no specific provisions for compensation on early termination (except for payment in lieu of holidays accrued but untaken) or loss of office due to a takeover bid. The Committee will apply mitigation against any contractual obligations as it deems fair and reasonable and will seek legal advice on the Company's liability to pay compensation. The Committee also seeks to reduce the level of any compensation payable and takes into account, amongst other factors, the individual's and the Group's performance; the Director's obligation to mitigate his/her own loss; and the Director's length of service when calculating termination payments. The contracts entitle Executive Directors to the provision of a company car, annual medical screening, private medical insurance, some telephone costs and contributions to the cost of obtaining independent tax advice. Details of the Executive Directors' service contracts are included in Table 3 and their emoluments are shown in Table 5 on page 63 of this Remuneration Report.

Table 3 – Executive Directors' service contracts

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

* Clive Fenton resigned as a Director of the Company on 5 July 2012 as set out on page 56 of this Remuneration Report.

Non-Executive directorships

Subject to Board approval, Executive Directors are permitted to accept one Non-Executive directorship outside the Company and retain any fees received from such a position. Executive Directors are not allowed to take on the Chairmanship of any FTSE 100 company. Board approval will not be given for any Non-Executive position where such appointment would lead to a material conflict of interest or would have an effect on the Director's ability to perform his/her duties to the Company. During the year Mark Clare was a trustee and Director of the BRE Trust and UKGBC Limited. Mark Clare does not receive any fees for either of these positions. The time commitment expected, in aggregate, for these positions is approximately 25 hours per annum. Neither David Thomas nor Steven Boyes held any Non-Executive directorships with other companies during the year.

Non-Executive Directors' remuneration

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

The base annual fee paid to Non-Executive Directors during the financial year ended 30 June 2012 was £40,000. The Chairmen of the Audit and Remuneration Committees received an additional annual fee of £10,000

and the Senior Independent Director received an additional annual fee of £5,000. In May 2012 the Board reviewed the roles of the Non-Executive Directors and decided that with effect from 1 July 2012 all Non-Executive Directors would sit on each of its committees. In recognition of the additional time commitments this would entail and taking into consideration the results of a benchmarking exercise undertaken by NBS on Non-Executive Directors' fees, it was agreed to increase the Non-Executive Directors' base annual fee to £48,000 with effect from the same date. It should be noted that this is the only fee increase for Non-Executive Directors in the last four years and that the total fees, after the increase, are still within the fee limits included in the Articles of Association with the approval of shareholders at the 2008 annual general meeting. The Non-Executive Directors do not participate in any performance related schemes such as the annual bonus or any incentive schemes, nor do they receive any pension or private medical insurance benefits.

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

Table 4 – Non-Executive Directors' letters of appointment

Non-Executive Director	Date last re-elected at AGM	Date first appointed to the Board	Date last re-appointed to the Board
Bob Lawson	16 November 2011	1 June 2008	1 June 2011
Bob Davies	16 November 2011	5 May 2004	1 July 2011
Tessa Bamford	16 November 2011	1 July 2009	1 July 2012
Rod MacEachrane	16 November 2011	1 May 2006	1 July 2011
Mark Rolfe	16 November 2011	1 May 2008	1 May 2011
Richard Akers	N/A	2 April 2012	N/A

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

Table 5 – Directors' emoluments

	Salary/fee £000	Pension allowance £000	Employer's pension contribution £000	Performance related £000	Benefits in kind £000	2012 Total £000	2011 Total £000	2012 Gain on exercise of share options £000	2011 Gain on exercise of share options £000
Mark Clare	643	193	–	956	38	1,830	1,221	13	–
David Thomas	408	77	25	607	15	1,132	748	–	–
Steven Boyes	390	117	–	580	26	1,113	744	13	–
Clive Fenton ^{^^^}	390	73	44	–	27	534	747	11	–
Bob Lawson	270	–	–	–	–	270	270	–	–
Bob Davies [^]	55	–	–	–	–	55	55	–	–
Tessa Bamford ^{^^}	40	–	–	–	–	40	40	–	–
Rod MacEachrane	40	–	–	–	–	40	40	–	–
Mark Rolfe [^]	50	–	–	–	–	50	50	–	–
Richard Akers [*]	10	–	–	–	–	10	–	–	–
2012 Total	2,296	460	69	2,143	106	5,074	–	37	–
2011 Total	2,298	487	42	1,007	93	–	3,927**	–	–

* Richard Akers joined the Board as a Non-Executive Director on 2 April 2012.

** This figure includes £12,000 in relation to William Shannon who resigned as a Director of the Company on 21 October 2010.

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

^{^^} Following Tessa Bamford's appointment as a consultant with Spencer Stuart on 18 April 2011, her fees are paid directly, on a quarterly basis, to Spencer Stuart. For the year 1 July 2011 to 30 June 2012 inclusive, the Company paid the full £40,000 to Spencer Stuart for her services to the Board.

^{^^^} Clive Fenton resigned as a Director on 5 July 2012. Details of the arrangements in respect of such resignation are set out on page 56 of this Remuneration Report.

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

There was no compensation for loss of office paid or any taxable expenses paid to any former or current Director of the Company during the financial year. There were also no significant awards made to past directors during the reporting year.

Directors' interests in shares

The interests of the Directors serving during the financial year and their connected persons in the ordinary share capital of the Company at the beginning and end of the year are shown below. No notification has been received of any change in the interests below during the period 30 June 2012 to 11 September 2012 inclusive, with the exception of the shares to be deferred in respect of the bonus earned in excess of 100% of base salary by Executive Directors for the financial year ended 30 June 2012 as described on page 57 of the Remuneration Report and the lapsing of outstanding options held by Clive Fenton upon his resignation as a Director on 5 July 2012.

Table 6 – Directors' interests in shares

	30 June 2012		30 June 2011	
	Fully paid	Number of share options and awards	Fully paid	Number of share options and awards**
Mark Clare	1,241,601	3,163,862	1,225,179	3,619,533
David Thomas	292,781	2,012,786	267,781	2,296,244
Steven Boyes	394,246	2,040,023	377,824	2,221,546
Clive Fenton	307,446	1,869,704***	291,024	2,067,649
Bob Lawson	517,023	–	517,023	–
Bob Davies	37,000	–	37,000	–
Rod MacEachrane	27,600	–	27,600	–
Tessa Bamford	31,500	–	31,500	–
Mark Rolfe	69,000	–	69,000	–
Richard Akers*	10,000	–	–	–

* Richard Akers joined the Board as a Non-Executive Director on 2 April 2012.

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

*** All outstanding options and awards held by Clive Fenton lapsed on 5 July 2012 upon his resignation as a Director.

Table 7 – Long-Term Incentive Schemes

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

	Date of award	At 30/06/11 No.	Granted No.	Vested No.	Lapsed No.	At 30/06/12 No.	Date from which exercisable*	Market price on award pence	Market price at vesting pence	Gain receivable £
Mark Clare										
LTPP	14.10.2010	963,900	–	–	–	963,900	14.10.2013	100.00	–	–
LTPP	20.10.2011	–	1,154,786	–	–	1,154,786	20.10.2014	83.47	–	–
Total		963,900	1,154,786	–	–	2,118,686				
David Thomas										
LTPP	14.10.2010	612,000	–	–	–	612,000	14.10.2013	100.00	–	–
LTPP	20.10.2011	–	733,198	–	–	733,198	20.10.2014	83.47	–	–
Total		612,000	733,198	–	–	1,345,198				
Steven Boyes										
LTPP	14.10.2010	585,000	–	–	–	585,000	14.10.2013	100.00	–	–
LTPP	20.10.2011	–	700,851	–	–	700,851	20.10.2014	83.47	–	–
Total		585,000	700,851	–	–	1,285,851				
Clive Fenton										
LTPP	14.10.2010	585,000	–	–	–	585,000	14.10.2013	100.00	–	–
LTPP	20.10.2011	–	700,851	–	–	700,851	20.10.2014	83.47	–	–
Total		585,000	700,851	–	–	1,285,851**				

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

** All outstanding options and awards held by Clive Fenton lapsed on 5 July 2012 upon his resignation as a Director.

Table 8 – Directors' share options

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

	Date of grant	At 30/06/11 No.	Granted No.	Exercised No.	Lapsed No.	At 30/06/12 No.	Exercise price pence	Market price (pence) on relevant date of exercise	Date from which exercisable	Latest expiry
Mark Clare										
ESOS	18.12.2008	74,998	–	–	74,998	–	40.00		18.12.2011	17.12.2018
ESOS	18.12.2008	1,526,237	–	–	1,526,237	–	36.40		18.12.2011	17.12.2018
SRSOS	03.02.2009	16,422	–	16,422	–	–	57.08	139.00	01.04.2012	30.09.2012
ESOS	10.12.2009	1,037,976	–	–	–	1,037,976	121.39		10.12.2012	09.12.2019
SRSOS	28.03.2012	–	7,200	–	–	7,200	125.00		01.06.2015	30.11.2015
Total		2,655,633	7,200	16,422	1,601,235	1,045,176				
David Thomas										
ESOS	25.09.2009	1,016,656	–	–	1,016,656	–	36.06		17.12.2011	16.12.2018
ESOS	10.12.2009	25,458	–	–	–	25,458	117.84		10.12.2012	09.12.2019
ESOS	10.12.2009	634,319	–	–	–	634,319	121.39		10.12.2012	09.12.2019
SRSOS	28.03.2010	7,811	–	–	–	7,811	116.18		01.06.2013	30.11.2013
Total		1,684,244	–	–	1,016,656	667,588				
Steven Boyes										
ESOS	18.12.2008	74,998	–	–	74,998	–	40.00		18.12.2011	17.12.2018
ESOS	18.12.2008	814,576	–	–	814,576	–	36.40		18.12.2011	17.12.2018
ESOP*	10.10.2003	153,897	–	–	–	153,897	357.37		10.10.2006	09.10.2013
SRSOS	03.02.2009	16,422	–	16,422	–	–	57.08	133.70	01.04.2012	30.09.2012
ESOS	10.12.2009	576,653	–	–	–	576,653	121.39		10.12.2012	09.12.2019
SRSOS	28.03.2012	–	7,200	–	–	7,200	125.00		01.06.2015	30.11.2015
Total		1,636,546	7,200	16,422	889,574	737,750				
Clive Fenton										
ESOS	18.12.2008	74,998	–	–	74,998	–	40.00		18.12.2011	17.12.2018
ESOS	18.12.2008	814,576	–	–	814,576	–	36.40		18.12.2011	17.12.2018
SRSOS	03.02.2009	16,422	–	16,422	–	–	57.08	124.00	01.04.2012	30.09.2012
ESOS	10.12.2009	576,653	–	–	–	576,653	121.39		10.12.2012	09.12.2019
SRSOS	28.03.2012	–	7,200	–	–	7,200	125.00		01.06.2015	30.11.2015
Total		1,482,649	7,200	16,422	889,574	583,853**				

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

** All outstanding options and awards held by Clive Fenton lapsed on 5 July 2012 upon his resignation as a Director.

The ESOS is divided into two sub-schemes, one of which is approved under the Income Tax (Earnings and Pensions) Act 2003 and the other of which is not. The exercise price is calculated differently for each sub-scheme in accordance with the rules of the ESOS. The performance conditions for the ESOS grants are described on page 60.

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

The mid-market share price of the Company on 30 June 2012 was 139.1 pence. The mid-market high and low share prices of the Company during the year were 151.5 pence and 67.5 pence respectively.

Table 9 – Directors' pension benefits

Steven Boyes and Clive Fenton were members of the Scheme during the year ended 30 June 2012. Details of their accrued benefits are as follows:

	Increase in accrued pension over the year to 30 June 2012 (net of inflation) £	Total pension accrued at the end of the year £	Transfer value of the increase in accrued pension over the year to 30 June 2012 (net of inflation) less Directors' contributions £	Increase in accrued pension over the year to 30 June 2012 £	Transfer value of accrued pension at 30 June 2012 £	Transfer value of accrued pension at 30 June 2011 £	Change in transfer value over the year £
Steven Boyes	(192)	299,595	(4,431)	15,706	6,252,591	4,477,540	1,775,051
Clive Fenton	(31)	45,765	(664)	2,397	880,815	642,697	238,118

Notes

With effect from 30 June 2009, the Scheme ceased to offer future accrual of defined benefit pensions for current employees and the link between accrued benefits and future salary increases was removed. As the Scheme is closed, no Directors have made any contributions to the Scheme during the year to 30 June 2012.

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

The inflation figure of 5.6% is based on the change in RPI from September 2010 to September 2011, consistent with previous years.

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

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

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

Except as disclosed in respect of Clive Fenton and David Thomas on pages 61 and 63, none of the Directors have any rights under the Company's money purchase pension scheme.

This Remuneration Report was approved by the Board on 11 September 2012 and signed on its behalf by:

Robert Davies

NON-EXECUTIVE DIRECTOR

11 September 2012

OTHER STATUTORY INFORMATION

Activities of the Group

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

Results and dividends

The profit from continuing activities for the year ended 30 June 2012 was £67.4m (2011: loss of £13.8m).

No interim dividend was paid during the financial year (2011: nil). The Directors do not recommend a final dividend for the year ended 30 June 2012 (2011: nil).

Enhanced Business Review

The Chairman's Statement, Group Chief Executive's Review, Business Review and Group Finance Director's Review on pages 6 to 39 together comprise the Group's Enhanced Business Review.

Annual General Meeting

The 2012 AGM will be held at the Royal College of Physicians, 11 St Andrews Place, Regent's Park, London NW1 4LE on Wednesday 14 November 2012 at 2.30 p.m. The Notice convening the 2012 AGM is set out in a separate letter to shareholders.

Directors and their interests

Each of the Directors listed on pages 40 and 41 held office throughout the financial year and as at 30 June 2012, apart from Richard Akers who joined the Board as a Non-Executive Director on 2 April 2012. Clive Fenton resigned as a Director with immediate effect on 5 July 2012. As announced on 25 July 2012, Bob Davies will step down from his position as a Non-Executive Director of the Company at the 2012 AGM.

The beneficial interests of the Directors and connected persons in the ordinary share capital of the Company together with the interests of the Executive Directors in share options and awards of shares as at 30 June 2012 and as at the date of this report are disclosed in the Remuneration Report on pages 53 to 66.

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

Appointment and replacement of Directors

In accordance with the Articles there shall be no less than two and no more than 15 Directors appointed to the Board at any one time. Directors may be appointed by the Company by ordinary resolution or by the Board. The Board may from time to time appoint one or more Directors to hold employment or executive office for such period (subject to the Companies Act 2006 (the 'Act')) and on such terms as they may determine and may revoke or terminate any such appointment. Directors are not subject to a maximum age limit.

In addition to the power under the Act for shareholders to remove any Director by ordinary resolution upon the giving of special notice, under the Articles the Company may by special resolution remove any Director before the expiration of his/her term of office. The office of Director shall

be vacated if: (i) he/she resigns or offers to resign and the Board resolves to accept such offer; (ii) his/her resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; (iii) he/she is or has been suffering from mental or physical ill health; (iv) he/she is absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that his/her office is vacated; (v) he/she becomes bankrupt or compounds with his/her creditors generally; (vi) he/she is prohibited by law from being a Director; (vii) he/she ceases to be a Director by virtue of the Act; or (viii) he/she is removed from office pursuant to the Articles.

Details relating to the retirement and re-election of Directors at each AGM can be found on page 45.

Powers of the Directors

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

Qualifying third party indemnity provisions

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

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

Related party transactions

The Board and certain members of senior management are related parties within the definition of IAS 24 (Revised) 'Related Party Disclosures' and Chapter 11 of the UK Listing Rules. There is no difference between transactions with key personnel of the Company and transactions with key personnel of the Group.

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

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

('East Scotland'), purchased an apartment from East Scotland at a purchase price of £176,025.

Each of the aforementioned purchases was conducted at a fair and reasonable market price based on comparable transactions at that time and were undertaken between a subsidiary director and a wholly-owned subsidiary of the Company. No shareholder approval is therefore required for these purchases under the Act or the Listing Rules. There were no amounts outstanding at 30 June 2012 in relation to these transactions.

Property, plant and equipment

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

Disclosure of information to auditor

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

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

Charitable and political contributions

During the year the Group made charitable donations of £30,205 (2011: £45,700). The total amounts given for each charitable purpose were:

Purpose	£
The advancement of education	3,450
The advancement of religion	1,100
The advancement of health and saving lives	4,340
The advancement of community development	2,879
The advancement of amateur sport	1,975
The relief of those in need because of youth, age, ill-health, disability, financial hardship or other disadvantage	8,507
The promotion of efficiency of the armed forces	1,000
Any other purposes	6,954

No political contributions were made during the year (2011: £nil).

Offices

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

Risk management objectives

The principal operational risks of the business are detailed on pages 36 to 39. The Group's financial assets, financial liabilities and derivative financial instruments are detailed in notes 22, 23 and 24 to the financial statements. Details of the Group's liquidity, market price, credit and cash flow risks are set out in note 25 to the financial statements.

Likely future developments

An indication of likely future developments in the Group including in the field of research and development is given in the Business Review on pages 18 to 35.

Creditor payments

The Group is responsible for agreeing the detail of terms and conditions relating to transactions with its suppliers. It is Group policy to ensure that suppliers are made aware of the terms of payment and to abide by the agreed terms of payment with suppliers where the goods and services have been supplied in accordance with the relevant terms and conditions of contract. Implementation of this policy resulted in a supplier payment period by the Group of 29 days (2011: 26 days) for its trade creditors as at 30 June 2012.

Capital structure

The Company has a single class of share capital which is divided into ordinary shares of 10 pence each. All issued shares are in registered form and are fully paid. Details of the Company's issued share capital and of the movements in the share capital during the year can be found in note 27 to the financial statements on page 118.

Subject to the Articles, the Act and other shareholders' rights, shares are at the disposal of the Board. At each AGM the Board seeks authorisation from its shareholders to allot shares. At the AGM held on 16 November 2011, the Directors were given authority to allot shares up to a nominal value of £32,181,332 (representing 33.33% of the nominal value of the Company's issued share capital), such authority to remain valid until the end of the 2012 AGM or close of business on 15 February 2013, whichever is earlier. A resolution to renew this authority will be proposed at the 2012 AGM.

Rights and obligations attaching to shares

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

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

Voting

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

In accordance with the Act, each member is entitled to appoint one or more proxies, and in the case of corporations, more than one corporate representative to exercise all or any of their rights to attend, speak and vote on their behalf at a general meeting or class meeting. The timescales for appointing proxies are set out in the Notice of the 2012 AGM.

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

Transfer of shares

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

There are no restrictions on the transfer of shares except as follows. The Board may, in its absolute discretion and without giving any reason, decline to register any transfer of any share which is not a fully paid share. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four. The Board may decline to register a transfer of a certificated share unless the instrument of transfer: (i) is duly stamped or certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require; (ii) is in respect of only one class of share; and (iii) if joint transferees, is in favour of not more than four such transferees; or where the transfer is requested by a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a restriction notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Act, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).

Shareholder authority for purchase of own shares

At the Company's AGM held on 16 November 2011, shareholders gave authority to the Company to buy back up to an aggregate of 96,543,990 ordinary shares (representing 10% of the Company's issued share capital). This authority is valid until the end of the 2012 AGM or close of business on 15 February 2013, whichever is the earlier. Under the authority there is a minimum and maximum price to be paid for such shares. Any shares which are bought back may be held as treasury shares or, if not so held, will be cancelled immediately upon completion of the purchase, thereby reducing the Company's issued share capital.

No purchases had been made under this authority as at the date of this report. A resolution renewing the authority will be proposed at the 2012 AGM.

Dividends and distributions

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

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

Shareholder arrangements to waive dividends

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

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

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

Major shareholders

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

As at 30 June 2012 the persons set out in Table 10 have notified the Company, pursuant to DTR 5.1, of their interests in the voting rights in the Company's issued share capital.

Table 10 – Notifiable Interests

Name	Number of voting rights*	% of total issued share capital when notified**	% of total issued share capital as at 30.06.2012***	Nature of holding
FMR LLC	34,579,199	8.24	3.54	Indirect
Ruffer LLP	48,779,046	5.00	5.00	Direct
Phoenix Asset Management Partners Limited	48,256,698	4.99	4.95	Direct
JP Morgan Chase & Co	17,286,656	4.98	1.77	Indirect
Standard Life Investments Ltd	47,711,714	4.94	4.89	Direct & Indirect
Polaris Capital Management LLC	34,606,679	3.59	3.55	Indirect
Norges Bank	29,071,919	3.01	2.98	Direct

* Represents the number of voting rights last notified to the Company by the respective shareholder in accordance with DTR 5.1. Certain of such notifications pre-date the Company's Placing and Rights Issue in 2009 and may not reflect the relevant shareholder's holding following the equity issue, where the revised holding has not triggered a further notification requirement.

** Based on the Total Voting Rights as at the relevant notification dates.

*** Based on the Total Voting Rights as at 30 June 2012 (as announced on 2 July 2012) and, accordingly, may not accurately reflect the position in respect of those shareholders whose notifications preceded the Placing and Rights Issue as referred to above.

Between 1 July 2012 and 11 September 2012 the following changes in respect of interests in the voting rights in the Company's issued share capital were notified to the Company:

Name	Number of voting rights	Total % of issued share capital*	Nature of holding
Ruffer LLP	46,887,233	4.80	Direct
Norges Bank	29,004,346	2.97	Direct

* Based on the Total Voting Rights as at the date of the relevant notification.

The Total Voting Rights of the Company as at the date of this report, as announced on 3 September 2012, are 976,312,867.

Employee share schemes

Details of employee share schemes are set out in note 28 to the financial statements.

Articles of Association

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

Significant agreements

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

- Both of the forward start credit facility agreements dated 10 May 2011 and in each case made between, amongst others, the Company, Lloyds TSB Bank Plc (as the facility agent) and the banks and financial institutions named therein as lenders (together, the 'Credit Facility Agreements') contain a mandatory prepayment provision on change of control. The Company must notify the facility agent promptly upon becoming aware of the change of control. After the change of control the facility agent must by notice to the Company, cancel the total commitment under the Credit Facility Agreements and must also declare all amounts outstanding under the Credit Facility Agreements immediately due and payable. For these purposes, a 'change of control' occurs if any person or group of persons acting in concert

(as defined in the Takeover Code) gains control (as defined in the Corporation Tax Act 2010) of the Company;

- each of the note purchase agreements entered into in respect of the Group's privately placed notes (being the £105m and \$380m of notes issued pursuant to the following note purchase agreements: (i) a note purchase agreement dated 23 August 2007 (as amended and restated on 10 May 2011); (ii) a note purchase agreement dated 23 April 2008 (as amended and restated on 10 May 2011); (iii) a note purchase agreement in respect of the issue of \$15.0m notes dated 10 May 2011; and (iv) a note purchase agreement in respect of the issue of \$65.0m notes also dated 10 May 2011) contain a change of control prepayment provision. Each such control provision provides that within five business days of the Company becoming aware that a change of control has occurred the Company shall notify all the holders of the notes of the same and give the holders the option to require the Company to prepay all outstanding amounts (principal and interest) under the Notes. No 'make whole premium' is payable by the Company in respect of such prepayment if noteholders elect (or are deemed to have so elected) to accept the Company's offer, such prepayment shall take place on a date that is not more than 90 business days after the Company notified the holders of the change of control. For these purposes a 'change of control' means the acquisition by a person or a group of persons acting in concert (as defined in the Takeover Code) such that they gain beneficial ownership of more than 50 per cent of the issued share capital of the Company; and
- the £100m term facility agreement between, amongst others, the Company and Prudential/M&G UK Companies Financing Fund LP dated 10 May 2011 also contains a mandatory prepayment provision; such mandatory prepayment provision is the same as that described for the Credit Facility Agreements.

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

On behalf of the Board

Tom Keevil

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

11 September 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Financial statements and accounting records

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

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

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

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

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

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

Directors' responsibility statement

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

a) the Group and Parent Company financial statements in this report, which have been prepared in accordance with IFRS, Standing Interpretation Committee interpretations as adopted and endorsed by the European Union, International Financial Reporting Interpretations Committee interpretations and those parts of the Companies Act 2006

applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and

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

The Directors of the Company and their functions are listed on pages 40 and 41.

By order of the Board

Mark Clare
GROUP CHIEF EXECUTIVE
11 September 2012

David Thomas
GROUP FINANCE DIRECTOR
11 September 2012

The Report of the Directors from pages 2 to 71 inclusive was approved by the Board on 11 September 2012 and is signed on its behalf by:

Tom Keevil
GROUP GENERAL COUNSEL AND COMPANY SECRETARY
11 September 2012

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

We have audited the financial statements of Barratt Developments PLC for the year ended 30 June 2012 which comprise the Consolidated Income Statement, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Statements of Changes in Shareholders' Equity, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Accounting Policies, the Impact of Standards and Interpretations in Issue but not yet Effective, Critical Accounting Judgements and Key Sources of Estimation Uncertainty and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

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

Graham Richardson (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

11 September 2012

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2012

	Notes	2012 Before exceptional items £m	2012 Exceptional items (note 3) £m	2012 £m	2011 Before exceptional items £m	2011 Exceptional items (note 3) £m	2011 £m
Continuing operations							
Revenue	1, 2	2,323.4	–	2,323.4	2,035.4	–	2,035.4
Cost of sales		(2,027.2)	–	(2,027.2)	(1,807.6)	–	(1,807.6)
Gross profit		296.2	–	296.2	227.8	–	227.8
Administrative expenses		(105.1)	–	(105.1)	(92.8)	(7.7)	(100.5)
Profit from operations	4	191.1	–	191.1	135.0	(7.7)	127.3
Finance income	5	16.9	–	16.9	18.0	–	18.0
Finance costs	5	(97.7)	–	(97.7)	(110.4)	(46.5)	(156.9)
Net finance costs	5	(80.8)	–	(80.8)	(92.4)	(46.5)	(138.9)
Share of post-tax profit from joint ventures	13	0.5	–	0.5	0.1	–	0.1
Share of post-tax loss from associates	13	(0.1)	–	(0.1)	–	–	–
Loss on re-measurement of joint venture interest on acquisition of control	3	–	(10.7)	(10.7)	–	–	–
Profit/(loss) before tax		110.7	(10.7)	100.0	42.7	(54.2)	(11.5)
Tax	7	(32.6)	–	(32.6)	(17.2)	14.9	(2.3)
Profit/(loss) for the year		78.1	(10.7)	67.4	25.5	(39.3)	(13.8)
Profit/(loss) for the year attributable to equity shareholders		78.1	(10.7)	67.4	25.5	(39.3)	(13.8)
Earnings/(loss) per share from continuing operations							
Basic	9			7.0p			(1.4)p
Diluted	9			6.9p			(1.4)p

The notes on pages 79 to 128 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

Year ended 30 June 2012

	Notes	2012 £m	Group 2011 £m	2012 £m	Company 2011 £m
Profit/(loss) for the year		67.4	(13.8)	(36.5)	(73.1)
Other comprehensive (expense)/income					
Amounts deferred in respect of effective cash flow hedges	5, 29	(21.1)	(23.6)	(21.1)	(23.6)
Actuarial (losses)/gains on defined benefit pension schemes	26	(24.1)	22.0	(24.1)	22.0
Fair value adjustment on available for sale financial assets	15	(3.4)	2.5	–	–
Tax on items above	7, 16	10.9	(1.7)	10.3	(0.9)
Net loss		(37.7)	(0.8)	(34.9)	(2.5)
Amounts reclassified to the income statement in respect of hedged cash flows	5, 29	5.1	28.5	5.1	28.5
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur – exceptional	5, 29	–	29.8	–	29.8
Tax on items above	7, 16	(1.3)	(16.0)	(1.3)	(16.0)
Net profit transferred		3.8	42.3	3.8	42.3
Total comprehensive income/(expense) recognised for the year attributable to equity shareholders		33.5	27.7	(67.6)	(33.3)

The notes on pages 79 to 128 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Group 30 June 2012

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Own shares £m	Share-based payments £m	Retained earnings £m	Total retained earnings £m	Total £m
At 1 July 2010	96.5	206.6	1,109.0	(48.9)	(5.0)	13.2	1,528.8	1,537.0	2,900.2
Loss for the year	–	–	–	–	–	–	(13.8)	(13.8)	(13.8)
Amounts deferred in respect of effective cash flow hedges	–	–	–	(23.6)	–	–	–	–	(23.6)
Amounts reclassified to the income statement in respect of hedged cash flows	–	–	–	28.5	–	–	–	–	28.5
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur – exceptional	–	–	–	29.8	–	–	–	–	29.8
Fair value adjustments on available for sale financial assets	–	–	–	–	–	–	2.5	2.5	2.5
Actuarial gains on pension scheme	–	–	–	–	–	–	22.0	22.0	22.0
Tax on items above	–	–	–	(10.4)	–	–	(7.3)	(7.3)	(17.7)
Total comprehensive income recognised for the year ended 30 June 2011	–	–	–	24.3	–	–	3.4	3.4	27.7
Share-based payments	–	–	–	–	–	1.8	0.4	2.2	2.2
At 30 June 2011	96.5	206.6	1,109.0	(24.6)	(5.0)	15.0	1,532.6	1,542.6	2,930.1
Profit for the year	–	–	–	–	–	–	67.4	67.4	67.4
Amounts deferred in respect of effective cash flow hedges	–	–	–	(21.1)	–	–	–	–	(21.1)
Amounts reclassified to the income statement in respect of hedged cash flows	–	–	–	5.1	–	–	–	–	5.1
Fair value adjustments on available for sale financial assets	–	–	–	–	–	–	(3.4)	(3.4)	(3.4)
Actuarial losses on pension scheme	–	–	–	–	–	–	(24.1)	(24.1)	(24.1)
Tax on items above	–	–	–	3.2	–	–	6.4	6.4	9.6
Total comprehensive income/ (expense) recognised for the year ended 30 June 2012	–	–	–	(12.8)	–	–	46.3	46.3	33.5
Issue of shares	1.1	5.1	–	–	–	–	–	–	6.2
Share-based payments	–	–	–	–	–	3.3	–	3.3	3.3
Transfer of share-based payments charge for non-vested options	–	–	–	–	–	(3.6)	3.6	–	–
Tax on share-based payments	–	–	–	–	–	(0.4)	1.1	0.7	0.7
At 30 June 2012	97.6	211.7	1,109.0	(37.4)	(5.0)	14.3	1,583.6	1,592.9	2,973.8

The notes on pages 79 to 128 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Company 30 June 2012

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Own shares £m	Share-based payments £m	Retained earnings £m	Total retained earnings £m	Total £m
At 1 July 2010	96.5	206.6	1,109.0	(48.9)	(5.0)	9.4	1,593.9	1,598.3	2,961.5
Loss for the year	–	–	–	–	–	–	(73.1)	(73.1)	(73.1)
Amounts deferred in respect of effective cash flow hedges	–	–	–	(23.6)	–	–	–	–	(23.6)
Amounts reclassified to the income statement in respect of hedged cash flows	–	–	–	28.5	–	–	–	–	28.5
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur – exceptional	–	–	–	29.8	–	–	–	–	29.8
Actuarial gains on pension scheme	–	–	–	–	–	–	22.0	22.0	22.0
Tax on items above	–	–	–	(10.4)	–	0.1	(6.6)	(6.5)	(16.9)
Total comprehensive income/ (expense) recognised for the year ended 30 June 2011	–	–	–	24.3	–	0.1	(57.7)	(57.6)	(33.3)
Share-based payments	–	–	–	–	–	1.8	0.4	2.2	2.2
At 30 June 2011	96.5	206.6	1,109.0	(24.6)	(5.0)	11.3	1,536.6	1,542.9	2,930.4
Loss for the year	–	–	–	–	–	–	(36.5)	(36.5)	(36.5)
Amounts deferred in respect of effective cash flow hedges	–	–	–	(21.1)	–	–	–	–	(21.1)
Amounts reclassified to the income statement in respect of hedged cash flows	–	–	–	5.1	–	–	–	–	5.1
Actuarial losses on pension scheme	–	–	–	–	–	–	(24.1)	(24.1)	(24.1)
Tax on items above	–	–	–	3.2	–	–	5.8	5.8	9.0
Total comprehensive expense recognised for the year ended 30 June 2012	–	–	–	(12.8)	–	–	(54.8)	(54.8)	(67.6)
Issue of shares	1.1	5.1	–	–	–	–	–	–	6.2
Share-based payments	–	–	–	–	–	3.3	–	3.3	3.3
Transfer of share-based payments charge for non-vested options	–	–	–	–	–	(0.7)	(3.6)	(4.3)	(4.3)
At 30 June 2012	97.6	211.7	1,109.0	(37.4)	(5.0)	13.9	1,478.2	1,487.1	2,868.0

The notes on pages 79 to 128 form an integral part of these financial statements.

BALANCE SHEETS

At 30 June 2012

	Notes	2012 £m	Group 2011 £m	2012 £m	Company 2011 £m
Assets					
Non-current assets					
Other intangible assets	11	100.0	100.0	–	–
Goodwill	10	792.2	792.2	–	–
Property, plant and equipment	12	6.4	5.6	1.2	0.7
Investments	14	–	–	2,614.0	2,617.7
Investments accounted for using the equity method	13	85.6	102.8	–	–
Available for sale financial assets	15	189.2	169.4	–	–
Trade and other receivables	18	4.1	5.7	–	–
Deferred tax assets	16	118.6	143.2	49.1	48.7
Derivative financial instruments – swaps	24	29.4	25.0	29.4	25.0
		1,325.5	1,343.9	2,693.7	2,692.1
Current assets					
Inventories	17	3,226.6	3,296.8	–	–
Trade and other receivables	18	50.3	58.7	558.0	781.8
Cash and cash equivalents	21	150.3	72.7	70.1	57.1
Current tax assets		0.4	3.2	–	–
		3,427.6	3,431.4	628.1	838.9
Total assets		4,753.1	4,775.3	3,321.8	3,531.0
Liabilities					
Non-current liabilities					
Loans and borrowings	23	(331.2)	(405.5)	(331.2)	(405.5)
Trade and other payables	19	(359.4)	(352.5)	–	–
Retirement benefit obligations	26	(21.4)	(11.8)	(21.4)	(11.8)
Derivative financial instruments – swaps	24	(53.3)	(37.0)	(53.3)	(37.0)
		(765.3)	(806.8)	(405.9)	(454.3)
Current liabilities					
Loans and borrowings	23	(12.1)	(11.2)	(13.2)	(106.6)
Trade and other payables	19	(1,001.9)	(1,027.2)	(34.7)	(39.7)
		(1,014.0)	(1,038.4)	(47.9)	(146.3)
Total liabilities		(1,779.3)	(1,845.2)	(453.8)	(600.6)
Net assets		2,973.8	2,930.1	2,868.0	2,930.4
Equity					
Share capital	27	97.6	96.5	97.6	96.5
Share premium		211.7	206.6	211.7	206.6
Merger reserve		1,109.0	1,109.0	1,109.0	1,109.0
Hedging reserve		(37.4)	(24.6)	(37.4)	(24.6)
Retained earnings		1,592.9	1,542.6	1,487.1	1,542.9
Total equity		2,973.8	2,930.1	2,868.0	2,930.4

The financial statements of Barratt Developments PLC (registered number 604574) were approved by the Board of Directors and authorised for issue on 11 September 2012. Signed on behalf of the Board of Directors

Mark Clare
Group Chief Executive

David Thomas
Group Finance Director

The notes on pages 79 to 128 form an integral part of these financial statements.

CASH FLOW STATEMENTS

Year ended 30 June 2012

	Notes	2012 £m	Group 2011 £m	2012 £m	Company 2011 £m
Net cash inflow from operating activities	30	149.7	100.2	142.6	46.5
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(2.4)	(0.7)	(1.0)	(0.1)
Acquisition of subsidiaries net of cash acquired	32	1.6	(1.1)	–	–
Disposal of subsidiary undertaking		8.0	–	–	–
Increase in investments accounted for using the equity method	13	(7.9)	(22.8)	–	–
Interest received		0.2	4.4	37.3	40.1
Net cash (outflow)/inflow from investing activities		(0.5)	(20.2)	36.3	40.0
Cash flows from financing activities					
Proceeds from issue of share capital		6.2	–	6.2	–
Hedging termination costs		(0.4)	(27.1)	(0.4)	(27.1)
Other fees related to amendment of financing arrangements	5	–	(8.6)	–	(8.6)
Loan repayments		(77.4)	(518.1)	(171.7)	(515.8)
Net cash outflow from financing activities		(71.6)	(553.8)	(165.9)	(551.5)
Net increase/(decrease) in cash and cash equivalents		77.6	(473.8)	13.0	(465.0)
Cash and cash equivalents at the beginning of year		72.7	546.5	57.1	522.1
Cash and cash equivalents at the end of year	21	150.3	72.7	70.1	57.1

The notes on pages 79 to 128 form an integral part of these financial statements.

ACCOUNTING POLICIES

Year ended 30 June 2012

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and Standing Interpretations Committee ('SIC') interpretations as adopted and endorsed by the European Union ('EU') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore the Group financial statements comply with Article 4 of the EU International Accounting Standards Regulation. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets, derivative financial instruments and share-based payments. A summary of the more significant Group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, actual results may ultimately differ from those estimates. The most significant estimates made by the Directors in these financial statements are set out in 'Critical Accounting Judgements and Key Sources of Estimation Uncertainty'.

Going concern

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

The Group's business activities, together with factors which the Directors consider are likely to affect its future development, financial performance and financial position are set out in the Group Chief Executive's review on pages 8 to 15 and the Business review on pages 19 to 39. The material financial and operational risks and uncertainties that may impact the Group's performance and their mitigation are outlined on pages 36 to 39 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 25 to the financial statements.

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the principal risks and uncertainties on pages 36 to 39, factors that particularly impact upon the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for the Group's customers and interest rates.

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

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

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

Accordingly, after making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the date of these financial statements. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Adoption of new and revised standards

In the year ended 30 June 2012, the Group has adopted:

Amendment to IFRS7 'Disclosures – Transfers of Financial Assets', Amendment to IFRIC14 'Prepayment of a Minimum Funding Requirement', IAS24 (Revised) 'Related Party Transactions' and the Annual Improvements to IFRS (2010 tranche).

The adoption of these standards, interpretations and amendments has not had any impact upon the profit or net assets of the Group in either the current year or comparative year and has not required any additional disclosures.

Basis of consolidation

The Group financial statements include the results of Barratt Developments PLC (the 'Company'), incorporated in the UK, and all its subsidiary undertakings made up to 30 June. The financial statements of subsidiary undertakings are consolidated from the date when control passes to the Group using the purchase method of accounting and up to the date control ceases. All transactions with subsidiaries and intercompany profits or losses are eliminated on consolidation.

Business combinations

All of the subsidiaries' identifiable assets and liabilities, including contingent liabilities, existing at the date of acquisition are recorded at their fair values. All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the subsidiary are included in the post-acquisition income statement.

Jointly controlled entities

A jointly controlled entity is an entity in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity. Jointly controlled entities are accounted for using the equity method of accounting.

Jointly controlled operations

The Group enters into jointly controlled operations as part of its housebuilding and property development activities. The Group's share of profits and losses from its investments in such jointly controlled operations is accounted for on a direct basis and is included in the consolidated income statement. The Group's share of its investments, assets and liabilities is accounted for on a directly proportional basis in the Group balance sheet.

Associated entities

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

Revenue

Revenue is recognised at legal completion in respect of the total proceeds of building and development. An appropriate proportion of revenue from construction contracts is recognised by reference to the stage of completion of contract activity. Revenue is measured at the fair value of consideration received or receivable and represents the amounts receivable for the property, net of discounts and VAT. The sale proceeds of part-exchange properties are not included in revenue.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Construction contracts

Revenue is only recognised on a construction contract where the outcome can be estimated reliably. Variations to, and claims arising in respect of, construction contracts, are included in revenue to the extent that they have been agreed with the customer. Revenue and costs are recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Contracts are only treated as construction contracts when they have been specifically negotiated for the construction of a development or property. When it is probable that the total costs on a construction contract will exceed total contract revenue, the expected loss is recognised as an expense in the income statement immediately.

Amounts recoverable on construction contracts are included in trade receivables and stated at cost plus attributable profit less any foreseeable losses. Payments received on account for construction contracts are deducted from amounts recoverable on construction contracts.

Payments received in excess of amounts recoverable on construction contracts are included in trade payables.

Exceptional items

Items that are material in size or unusual or infrequent in nature are presented as exceptional items in the income statement. The Directors are of the opinion that the separate presentation of exceptional items provides helpful information about the Group's underlying business performance. Examples of events that, *inter alia*, may give rise to the classification of items as exceptional are the restructuring of existing and newly-acquired businesses, refinancing costs, gains or losses on the disposal of businesses or individual assets, pension scheme curtailments and asset impairments, including land, work in progress, goodwill and investments.

Restructuring costs

Restructuring costs are recognised in the income statement when the Group has a detailed plan that has been communicated to the affected parties. A liability is accrued for unpaid restructuring costs.

Profit from operations

Profit from operations includes all of the revenue and costs derived from the Group's operating businesses. Profit from operations excludes finance

costs, finance income, the Group's share of profits or losses from joint ventures and associates, tax and gains/(losses) on disposal of investments.

Segmental reporting

The Group consists of two separate segments for internal reporting regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance, being housebuilding and commercial developments. These segments therefore comprise the primary reporting segments within the financial statements. All of the Group's operations are within Britain, which is one geographic market in the context of managing the Group's activities.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the separately identifiable net assets and liabilities acquired.

Goodwill arising on acquisition of subsidiary undertakings and businesses is capitalised as an asset and reviewed for impairment at least annually.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination at acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in the income statement and is not subsequently reversed.

Intangible assets Brands

Internally generated brands are not capitalised. The Group has capitalised as intangible assets brands that have been acquired. Acquired brand values are calculated using discounted cash flows. Where a brand is considered to have a finite life, it is amortised over its useful life on a straight-line basis. Where a brand is capitalised with an indefinite life, it is not amortised. The factors that contribute to the durability of brands capitalised are that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangible assets.

The Group carries out an annual impairment review of indefinite life brands as part of the review of the carrying value of goodwill, by performing a value-in-use calculation, using a discount factor based upon the Group's pre-tax weighted average cost of capital.

Investments

Interests in subsidiary undertakings are accounted for at cost less any provision for impairment.

Where share-based payments are granted to the employees of subsidiary undertakings by the Company, they are treated as a capital contribution to the subsidiary and the Company's investment in the subsidiary is increased accordingly.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of the assets on a straight-line basis to their residual value over their estimated useful lives. Residual values and asset lives are reviewed annually.

Freehold properties are depreciated on a straight-line basis over 25 years. Freehold land is not depreciated. Plant is depreciated on a straight-line basis over its expected useful life, which ranges from one to seven years.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and those overheads which have been incurred in bringing the inventories to their present location and condition.

Land held for development, including land in the course of development, is initially recorded at discounted cost. Where, through deferred purchase credit terms, the carrying value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the income statement over the period of settlement.

Due to the scale of the Group's developments, the Group has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments. In making these assessments there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

Leases as lessee

Operating lease rentals are charged to the income statement in equal instalments over the life of the lease.

Leases as lessor

The Group enters into leasing arrangements with third parties following the completion of constructed developments until the date of the sale of the development to third parties. Rental income from these operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised in the income statement on a straight-line basis over the lease term.

Share-based payments

The Group issues both equity-settled and cash-settled share-based payments to certain employees. In accordance with the transitional provisions, IFRS2 'Share-based Payments' has been applied to all grants of equity instruments after 7 November 2002 that had not vested at 1 January 2005.

Equity-settled share-based payments are measured at the fair value of the equity instrument at the date of grant. Fair value is measured either using Black-Scholes, Present-Economic Value or Monte Carlo models dependent upon the characteristics of the scheme. The fair value is expensed in the income statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest where non-market vesting conditions apply.

Non-vesting conditions are taken into account in the estimate of the fair value of the equity instruments.

Cash-settled share-based payments are measured at the fair value of the liability at the date of grant and are re-measured both at the end of each reporting period and at the date of settlement with any changes in fair value being recognised in the income statement for the period. Fair value is measured initially and at the end of each reporting period using a Black-Scholes model and at the date of settlement as cash paid.

Tax

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

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

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

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

Pensions

Defined contribution

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

Defined benefit

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

Past service cost, until the scheme ceased to offer future accrual of defined benefit pensions to employees from 30 June 2009, was

recognised immediately to the extent that the benefits were already vested, and otherwise was amortised on a straight-line basis over the average period until the benefits become vested.

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

Borrowing costs

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

Financial instruments

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

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

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

Financial assets

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

Available for sale financial assets

Non-interest bearing loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in note 15.

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

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

Trade and other receivables

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

uncollectable amounts. The net of these balances are classified as 'trade and other receivables' in the balance sheet.

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

Impairment of financial assets

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances in bank accounts with no notice or less than three months notice from inception and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as 'loans and receivables'.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into.

Equity instruments

Equity instruments consist of the Company's ordinary share capital and are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

All non-derivative financial liabilities are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the 'effective interest rate' method.

Other financial liabilities consist of bank borrowings and trade and other payables.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade and other payables

Trade and other payables on normal terms are not interest bearing and are stated at amortised cost.

Trade and other payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate by discounting at prevailing market interest rates at the date of recognition. The discount to nominal value, which will be paid in settling the deferred purchase terms liability, is amortised over the period of the credit term and charged to finance costs using the 'effective interest rate' method.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

Where bank agreements include a legal right of offset for in hand and overdraft balances, and the Group intends to settle the net outstanding position, the offset arrangements are applied to record the net position in the balance sheet.

Finance income and charges are accounted for using the 'effective interest rate' method in the income statement.

Finance costs are recognised as an expense in the income statement in the period to which they relate.

Derivative financial instruments

The Group has entered into derivative financial instruments in the form of interest rate swaps and cross currency swaps to manage the interest rate and foreign exchange rate risk arising from the Group's operations and sources of finance. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors as detailed in notes 24 and 25 to the financial statements.

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

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

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

Hedge accounting

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

the hedging instrument is highly effective in offsetting the changes in cash flows of the hedged items.

Details of the fair values of the interest rate and cross currency swaps are provided in notes 22, 23 and 24 to the financial statements. Movements on the hedging reserve in equity are detailed in the statements of changes in shareholders' equity.

Cash flow hedge

To the extent that the Group's cash flow hedges are effective, gains and losses on the fair value of the interest rate and cross currency swap arrangements are deferred in equity in the hedging reserve until realised. On realisation, such gains and losses are recognised within finance charges in the income statement.

To the extent that any hedge is ineffective, gains and losses on the fair value of these swap arrangements are recognised immediately in finance charges in the income statement.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires, is sold or terminated or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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

Kickstart

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

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

IMPACT OF STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

At the date of approval of these financial statements there were a number of standards, amendments and interpretations that have been published and are therefore mandatory for the Group's accounting periods beginning on or after 1 July 2012 and later periods. IFRS9 'Financial Instruments' (2010), IFRS10 'Consolidated Financial Statements', IFRS11 'Joint Arrangements', IFRS12 'Disclosure of Interest in Other Entities', IFRS13 'Fair Value Measurement', IAS27 (Revised), IAS28 (Revised), Amendment to IFRS7, Amendment to IAS1, Amendment to IAS12, Amendment to IAS19 'Employee Benefits' and Amendment to IAS32 have been adopted by the EU. The Group has not early adopted any standard, amendment or interpretation.

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

- IFRS9 'Financial Instruments' is likely to apply to the Group from 1 July 2015. The standard was reissued in October 2010 as the second step in the IASB project to replace IAS39 'Financial Instruments: Recognition and Measurement'. IFRS9 (2010) now includes new requirements for classifying and measuring financial assets and financial liabilities and the derecognition of financial instruments. The IASB is continuing the process of expanding IFRS9 to add new requirements for impairment and hedge accounting. The Group is currently assessing the impact of the standard on the Group's results and financial position and will continue to assess the impact as the standard is revised by the IASB.
- IFRS10 'Consolidated Financial Statements' will apply to the Group from 1 July 2013. The new standard was issued in May 2011 to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The Group is currently assessing the impact of the standard on the Group's results and financial position.
- IFRS11 'Joint Arrangements' will apply to the Group from 1 July 2013. The new standard was issued in May 2011 and requires that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. The Group is currently assessing the impact of the standard on the Group's results and financial position.
- IFRS12 'Disclosure of Interest in Other Entities' will apply to the Group from 1 July 2013. The new standard was issued in May 2011 and requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The Group is currently assessing the impact of the standard on the financial statements of the Group.
- IFRS13 'Fair Value Measurement' will apply to the Group from 1 July 2013. The new standard was issued in May 2011 and defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The Group is currently assessing the impact of the standard on the Group's results and financial position.
- IAS27 (Revised) 'Separate Financial Statements' will apply to the Group from 1 July 2013. The Group is currently assessing the impact of the amendment on the financial statements of the Group.
- IAS28 (Revised) 'Investments in Associates and Joint Ventures' will apply to the Group from 1 July 2013. The Group is currently assessing the impact of the amendment on the financial statements of the Group.
- IAS19 (Revised) 'Employee Benefits' will apply to the Group from 1 July

2013. It principally revises existing accounting treatment for pensions and other post-employment benefits and termination benefits. The Group is currently assessing the impact of the standard on the Group's results and financial position.

- Amendment to IFRS7 'Financial Instrument Disclosures'. This amends the disclosure requirements in respect of financial instruments that are set-off in accordance with guidance in IAS32 'Financial Instruments: Presentation'. The amendment applies to the Group from 1 January 2013 and is expected to impact upon the Group by requiring additional disclosures in the annual financial statements.
- Amendment to IAS32 will apply to the Group from 1 July 2014. This amendment provides guidance on the application of offsetting in financial statements. The Group is currently assessing the impact of the standard on the Group's results and financial position.

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

- Amendment to IAS12 'Deferred tax: Recovery of Underlying Assets' provides an exception to the general principles of IAS12 for investment property measured using the fair value model in IAS40 'Investment Property'. The amendment applies to the Group from 1 July 2012 and is not expected to have an impact on the Group.
- Amendment to IAS1 'Financial Statement Presentation' will apply to the Group from 1 July 2012. This amends the presentation of other comprehensive income in the statement of comprehensive income. The amendment is not expected to have material impact on the Group.
- Amendment to IAS1 'Government Loans' (Amendments to IFRS1) will apply to the Group from 1 January 2013. This amends IFRS1 'First-time Adoption of International Financial Reporting Standards' to address how a first-time adopter would account for a Government loan with a below-market rate of interest when transitioning to IFRSs. This amendment is not expected to impact the Group.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical accounting judgements

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

Key sources of estimation uncertainty

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

Carrying value of land and work in progress

The Group's principal activity is housebuilding and commercial development. The majority of the development activity is not contracted prior to the development commencing. Accordingly, the Group has in its balance sheet at 30 June 2012 current assets that are not covered by a forward sale. The Group's internal controls are designed to identify any developments where the balance sheet value of land and work in progress is more than the lower of cost or net realisable value.

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

Year ended 30 June	Housebuilding £m	Commercial developments £m	Total £m
Impairment charged			
2008	157.2	51.2	208.4
2009	431.5	68.0	499.5
2010	7.4	4.8	12.2
2011	5.4	–	5.4
2012	6.6	–	6.6
Total	608.1	124.0	732.1
Impairment utilised			
2008	–	–	–
2009	262.7	86.3	349.0
2010	91.7	4.8	96.5
2011	71.4	13.8	85.2
2012	70.1	0.5	70.6
Total	495.9	105.4	601.3
Impairment remaining			
2008	157.2	51.2	208.4
2009	326.0	32.9	358.9
2010	241.7	32.9	274.6
2011	175.7	19.1	194.8
2012	112.2	18.6	130.8

In 2012, this review resulted in £nil (2011: £nil) net exceptional impairment charge for the housebuilding business. Due to performance variations upon individual housebuilding sites, there were gross exceptional

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

Excluding the operating impairment charge of £6.6m (2011: £5.4m), included within gross profit is a charge of £6.7m (2011: benefit of £4.7m) relating to the realisation of written down inventory above its originally estimated net realisable value.

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

At 30 June 2012 the Group had a total land holding of £2,077.3m of which £1,964.2m is land held for current housing development. Of this £319.7m is made up from impaired land, £677.2m consists of non-impaired land purchased prior to mid-2009 where the gross margin is on average c. 9%, and the remaining £967.3m has an average gross margin of around 20% based on current house prices.

In the past six months, in general, the Group has not seen an improvement in underlying prices and has continued to manage costs to achieve no overall net cost inflation. If the UK housing market were to change beyond management expectations in the future, in particular with regards to the assumptions around likely sales prices and estimated costs to complete, then further adjustments to the carrying value of land and work in progress may be required.

The land held at the balance sheet date that has already been impaired is most sensitive to the judgements being applied and the potential for further impairment or reversal. Forecasting risk also increases in relation to those sites that are not expected to be realised in the short to medium term. The Group's current forecasts indicate that, by volume, around 36% of the impaired plots are expected to be realised within one year, 23% between one and two years, and 41% in more than two years.

The Group estimates that the impairment sensitivity for the housebuilding business to an immediate uniform fall in house prices across the UK, from those prevailing as at 30 June 2012, is as follows:

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

These estimates are illustrative as any changes in house prices have historically tended to be weighted either positively or negatively towards particular geographic regions of the UK, they exclude any sensitivity upon

our commercial developments segment. In addition, variances in future build cost inflation from that allowed for in the Group's base calculation would impact upon the impairment sensitivity. The value of impairment is prior to attributing any tax credit that may accrue for future use.

Estimation of costs to complete

In order to determine the profit that the Group is able to recognise on its developments in a specific period, the Group has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments. In making these assessments there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and appropriateness of estimates made.

Recognition of profit where developments are accounted for under IAS11 'Construction Contracts'

The Group applies its policy on contract accounting when recognising revenue and profit on partially completed contracts. The application of this policy requires judgements to be made in respect of the total expected costs to complete each site. The Group has in place established internal control processes to ensure that the evaluation of costs and revenues is based upon appropriate estimates.

Impairment of goodwill

The determination of the impairment of goodwill of the housebuilding business requires an estimation of the value-in-use of the housebuilding cash-generating unit as defined in note 10. The value-in-use calculation requires an estimate of the future cash flows expected from the housebuilding business, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is based upon the average capital structure of the Group and current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Changes in these may impact upon the Group's discount rate in future periods. The carrying amount of goodwill at 30 June 2012 was £792.2m with no impairment recognised during the year ended 30 June 2012.

Impairment of brands

The determination of the impairment calculation for the Group's indefinite life brand, David Wilson Homes, requires an estimation of the value-in-use of the brand as defined in note 11. The value-in-use calculation requires an estimate of the future cash flows expected from this brand as part of the review of the carrying value of goodwill, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is based upon the average capital structure of the Group and current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Changes in these may impact upon the Group's discount rate in future periods. The carrying amount of indefinite life brands at 30 June 2012 was £100.0m with no impairment recognised during the year ended 30 June 2012.

Deferred tax assets

At 30 June 2012 the Group recognised a net deferred tax asset of £118.6m comprising of gross deferred tax assets of £148.3m and gross deferred tax liabilities of £29.7m. £124.9m related to losses that arose during preceding years, predominantly as a result of the refinancing and land impairments, that are to be carried forward and relieved against profits arising in future periods. The judgement to recognise the deferred

tax asset is dependent upon taxable profits arising in the same company as the losses originally arose and the Group's expectations regarding future profitability including site revenue and cost forecasts for future years which contain a degree of inherent uncertainty.

Defined benefit pension scheme

The Directors engage a qualified independent actuary to calculate the Group's liability in respect of its defined benefit pension scheme. In calculating this liability it is necessary for actuarial assumptions to be made, which include discount rates, salary and pension increases, price inflation, the long-term rate of return upon scheme assets and mortality.

As actual rates of increase and mortality may differ from those assumed, the pension liability may differ from that included in these financial statements.

Hedge accounting

The majority of the Group's facilities are floating rate, which exposes the Group to increased interest rate risk. The Group has in place £192.0m (2011: £192.0m) of floating-to-fixed interest rate swaps. The Group has adopted hedge accounting for these swaps on the basis that it is highly probable that there is sufficient forecast debt to match with the period of swaps. If this basis was not met in future then any changes in fair value of the swaps would be recognised in the income statement, rather than in equity. During the year ended 30 June 2012, there was a loss of £16.6m (2011: gain of £6.1m) included in equity related to these swaps.

In addition, the Group has \$267.2m (2011: \$267.2m) of cross currency swaps to manage the cash flow risks related to foreign exchange, arising from the Group's sources of US Dollar denominated finance. These swaps are designated as a cash flow hedge against future foreign exchange rate movements. If the hedges ceased to be highly effective then any changes in fair value of the swaps would be recognised in the income statement, rather than equity. During the year ended 30 June 2012, there was a gain of £4.6m (2011: loss of £8.2m) included in equity related to these swaps.

Available for sale financial assets

The Group holds available for sale financial assets principally comprising interest free loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property. The loans are held at fair value. The fair value calculation requires an estimate of the future cash flows expected from the redemption of interest free loans, including an estimate of the market value of the property at the estimated time of repayment, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The estimated market value is based on original selling prices, local market conditions with an allowance for low single digit sales price inflation. The estimated repayment profile is based on historical data for first time buyers selling their property. The discount rate used is consistent with the interest rate payable on a third party second charge loan of a similar amount and duration. Changes in these may impact upon the Group's discount rate in future periods. At 30 June 2012 the asset recognised on the balance sheet was £189.2m (2011: £169.4m).

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1. Revenue

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

	Notes	2012 £m	2011 £m
Sale of goods		2,162.3	1,868.5
Contract accounting revenue		161.1	166.9
Revenue as stated in the income statement		2,323.4	2,035.4
Lease income	31	3.4	4.1
Finance income	5	16.9	18.0
Forfeit deposits		0.5	1.4
Other income		16.6	12.5
Total revenue		2,360.8	2,071.4

Sale of goods includes £448.9m (2011: £373.1m) of revenue generated where the sale has been achieved using part-exchange incentives.

Proceeds received on the disposal of part-exchange properties, which are not included in revenue, were £271.5m (2011: £198.2m).

2. Segmental analysis

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

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

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2. Segmental analysis (continued)

	House- building £m	Commercial developments £m	2012 Total £m	House- building £m	Commercial developments £m	2011 Total £m
Balance sheet						
Segment assets	4,443.5	79.5	4,523.0	4,549.5	101.0	4,650.5
Elimination of intercompany balances			(39.2)			(94.3)
			4,483.8			4,556.2
Deferred tax assets			118.6			143.2
Current tax assets			0.4			3.2
Cash and cash equivalents			150.3			72.7
Consolidated total assets			4,753.1			4,775.3
Segment liabilities	(1,437.0)	(38.2)	(1,475.2)	(1,480.0)	(42.8)	(1,522.8)
Elimination of intercompany balances			39.2			94.3
			(1,436.0)			(1,428.5)
Loans and borrowings			(343.3)			(416.7)
Consolidated total liabilities			(1,779.3)			(1,845.2)
Other information	£m	£m	£m	£m	£m	£m
Capital additions	2.0	0.4	2.4	0.7	–	0.7
Depreciation	1.5	0.1	1.6	1.7	0.1	1.8

3. Exceptional items

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

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

In 2006 the Group entered into a joint venture agreement to develop sites in Greater Manchester including one in Hattersley. The Group's joint venture partner went into liquidation in March 2012 and on 9 May 2012 the Group acquired their share for £1. As required by IFRS3 (Revised) 'Business Combinations' the Group has disposed of its share in the joint venture entities and acquired the entities as subsidiaries resulting in an exceptional loss of £10.7m. Further details are provided in note 32.

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

Amended financing arrangements

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

Restructuring costs

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

4. Profit from operations

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

	Notes	2012 £m	2011 £m
Staff costs	8	239.0	205.0
Government grants		(18.0)	(37.3)
Depreciation of property, plant and equipment	12	1.6	1.8
Lease income	31	(3.4)	(4.1)
Operating lease charges			
– hire of plant, machinery and vehicles		17.6	12.7
– other		12.7	11.1

Staff costs in 2012 include all short-term employee benefits in accordance with IAS19 'Employee Benefits', which includes healthcare, car costs and flexible benefits.

Government grants of £8.3m (2011: £16.8m) were received in the year relating to Government initiatives including the National Affordable Housing Programme, Affordable Homes Programme and Kickstart. Grant income of £18.0m (2011: £37.3m) was recognised in the income statement in relation to house sales completed under these initiatives.

Administrative expenses before exceptional costs of £105.1m (2011: £92.8m) includes sundry income of £17.1m (2011: £13.9m) which is disclosed within other revenue in note 1.

Profit from operations is stated after charging the Directors' emoluments disclosed in the Remuneration report on page 63 and in note 8.

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

	2012 £000	2011 £000
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	65	65
The audit of the Company's subsidiaries pursuant to legislation	235	235
Total fees for audit of the Company and its subsidiaries	300	300
Other services pursuant to legislation	50	50
Other services relating to tax	181	167
Corporate finance services	139	–
Other services	58	37
Total fees for other services	428	254
Total fees related to the Company and its subsidiaries	728	554

Deloitte LLP was appointed as the Group's principal tax adviser in the prior year. Auditor objectivity and independence is considered in the Report of the Directors (see page 50).

Corporate finance services related to property advice provided in relation to certain pieces of land held by the Group. Other services pursuant to legislation comprise the reviews of interim financial statements. In the years ended 30 June 2012 and 30 June 2011, other services mainly comprised advisory services related to significant transactions including new joint venture agreements and other accounting advice.

In addition to the remuneration paid to the Group's principal auditor, Deloitte LLP, for services related to the Company and its subsidiaries, Deloitte LLP received the following remuneration from joint ventures in which the Group participates:

	2012 £000	2011 £000
The audit of the Company's joint ventures pursuant to legislation	54	40
Other services	–	–
Total fees related to joint ventures	54	40

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5. Net finance costs

Recognised in income statement

	Notes	2012 £m	2011 £m
Finance income on short-term bank deposits		(0.1)	(1.2)
Imputed interest on available for sale financial assets	15	(12.0)	(13.6)
Finance income related to employee benefits	26	(1.2)	–
Other interest receivable		(3.6)	(3.2)
Finance income		(16.9)	(18.0)
Interest on bank overdrafts and loans		48.9	46.2
Imputed interest on deferred term land payables		28.8	27.6
Finance costs related to employee benefits	26	–	0.9
Amounts reclassified to the income statement in respect of hedged cash flows	29	5.1	28.5
Foreign exchange losses/(gains) on US Dollar debt	6	4.0	(7.0)
Amortisation of facility fees		3.5	6.2
Imputed interest on Kickstart equity funding		(0.2)	0.9
Other interest payable		7.6	7.1
Finance costs before exceptional items		97.7	110.4
Net finance costs before exceptional items		80.8	92.4
Exceptional finance costs			
Hedging termination costs		–	29.8
Write-off of previous facility unamortised fees		–	8.1
Other fees related to amendment of financing arrangements		–	8.6
Exceptional finance costs	3	–	46.5
Total finance costs		97.7	156.9
Net finance costs		80.8	138.9

Recognised in equity

	Notes	2012 £m	2011 £m
Amounts deferred in respect of effective cash flow hedges	29	21.1	23.6
Total fair value losses on cash flow swaps included in equity		21.1	23.6
Amounts reclassified to the income statement in respect of hedged cash flows	29	(5.1)	(28.5)
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur – exceptional	29	–	(29.8)
Total fair value losses on cash flow swaps transferred to equity		(5.1)	(58.3)

6. Financial instruments gains and losses

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

	Notes	2012 £m	2011 £m
Loans and receivables			
Impairment of trade receivables	18	2.4	2.3
Available for sale financial assets			
Net loss transferred on sale		0.3	0.8
Net impairment of available for sale financial assets	15	11.8	16.3
Other financial liabilities			
Foreign exchange losses/(gains) on US Dollar debt		4.0	(7.0)
Transfers (from)/to hedged items			
Transfer (from)/to equity on currency cash flow hedges		(4.0)	7.0

7. Tax

Analysis of the tax charge for the year

	Notes	2012 £m	2011 £m
Current tax			
UK corporation tax for the year		(0.9)	–
Adjustment in respect of previous years		(0.2)	(10.5)
		(1.1)	(10.5)
Deferred tax			
Origination and reversal of temporary differences		27.3	(4.4)
Adjustment in respect of previous years		(2.3)	7.6
Impact of reduction in corporation tax rate		8.7	9.6
	16	33.7	12.8
Tax charge for the year		32.6	2.3

In addition to the amount charged to the income statement, a net deferred tax credit of £10.3m (2011: charge of £17.7m) was recognised directly in equity (note 16).

Factors affecting the tax charge for the year

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

The differences are explained below:

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

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

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

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

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

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8. Key management and employees

Key management personnel, as defined under IAS24 'Related Party Disclosures', have been identified as the Board of Directors as the controls operated by the Group ensure that all key decisions are reserved for the Board. Detailed disclosures of Directors' individual remuneration, pension entitlements and share options, for those Directors who served during the year, are given in the audited sections of the Remuneration report on pages 53 to 66 which form part of these financial statements. A summary of key management remuneration is as follows:

	2012 £m	2011 £m
Salaries and fees (including pension compensation)	2.8	2.8
Social security costs	0.8	0.7
Performance bonus	2.1	1.0
Benefits	0.1	0.1
Share-based payments	1.0	–
	6.8	4.6

	2012 Number	Group 2011 Number
Average staff numbers (excluding subcontractors, including Directors)	4,451	4,405

	Notes	2012 £m	Group 2011 £m	2012 £m	Company 2011 £m
Wages and salaries including bonuses (including Directors)		206.1	174.4	16.0	15.9
Redundancy costs	3	0.6	3.7	0.1	0.6
Social security costs		22.5	19.1	1.5	1.9
Other pension costs	26	6.7	6.4	0.5	0.6
Share-based payments	28	3.1	1.4	0.9	(0.1)
Total staff costs	4	239.0	205.0	19.0	18.9

Staff costs in 2012 include all short-term employee benefits in accordance with IAS19 'Employee Benefits', which includes healthcare, car costs and flexible benefits.

9. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £67.4m (2011: loss of £13.8m) by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust which are treated as cancelled, which was 963.9m (2011: 961.4m).

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

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

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

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

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

9. Earnings/(loss) per share (continued)

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

10. Goodwill

	Group £m
Cost	
At 1 July 2010, 30 June 2011 and 30 June 2012	816.7
Accumulated impairment losses	
At 1 July 2010, 30 June 2011 and 30 June 2012	24.5
Carrying amount	
At 30 June 2011 and 30 June 2012	792.2

The Group's goodwill has a carrying value of £792.2m relating to the housebuilding segment. The goodwill relating to the commercial developments segment, with cost of £24.5m, was fully impaired in the year ended 30 June 2008.

The Group conducts an annual impairment review of goodwill and intangibles together for both the housebuilding and commercial developments segments. The impairment review was performed at 30 June 2012 and compared the value-in-use of the housebuilding segment with the carrying value of its tangible and intangible assets and allocated goodwill. The Group allocates any identified impairment first to goodwill and then to assets on a pro-rata basis, which in the case of the Group is its intangible assets and property, plant and equipment.

The value-in-use was determined by discounting the expected future cash flows of the housebuilding segment. The first two years of cash flows were determined using the Group's approved detailed site-by-site business plan. The cash flows for the third to fifth years were determined using Group level internal forecasted cash flows based upon expected volumes, selling prices and margins, taking into account available land purchases and work in progress levels. The cash flows for year six onwards were extrapolated in perpetuity using an estimated growth rate of 2.5%, which was based upon the expected long-term growth rate of the UK economy.

The key assumptions for the value-in-use calculations were:

- Discount rate: this is a pre-tax rate reflecting current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Accordingly the rate of 12.9% (2011: 12.3%) is considered by the Directors to be the appropriate pre-tax risk adjusted discount rate being the Group's estimated long-term pre-tax weighted average cost of capital. This rate used in the 30 June 2012 impairment review is calculated using the average capital structure of the Group during the financial year, consistent with the prior year, due to the cyclicity of the Group's borrowing requirements.
- Expected changes in selling prices for completed houses and the related impact upon operating margin: these are determined on a site-by-site basis for the first two years dependent upon local market conditions and product type. For years three to five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.
- Sales volumes: these are determined on a site-by-site basis for the first two years dependent upon local market conditions, land availability and planning permissions. For years three to five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.
- Expected changes in site costs to complete: these are determined on a site-by-site basis for the first two years dependent upon the expected costs of completing all aspects of each individual development including any additional costs that are expected to occur due to the business being on an individual development site for longer due to current market conditions. For years three to five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.

The conclusion of this impairment review was that the Group's goodwill related to the housebuilding segment was not impaired.

The impairment review of goodwill and intangible assets at 30 June 2012 was based upon current expectations regarding sales volumes, expected changes in selling prices and site costs to complete in the uncertain conditions within the UK housing market and used a discount rate considered appropriate to the position and risks of the Group. The result of the impairment review was that the recoverable value of goodwill and intangible assets exceeded its carrying value by £379.1m (2011: £428.5m).

If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reducing by 1.0% per annum (2011: 1.5% per annum) or the appropriate discount rate were to increase by 1.0% (2011: 1.0%) and all other variables were held constant then the recoverable value of goodwill and intangible assets would equal its carrying value. Further information is given in Critical Accounting Judgements and Key Sources of Estimation Uncertainty on page 86.

11. Other intangible assets

	Group Brands £m
Cost	
At 1 July 2010, 30 June 2011 and 30 June 2012	107.0
Amortisation	
At 1 July 2010, 30 June 2011 and 30 June 2012	7.0
Carrying amount	
At 30 June 2011 and 30 June 2012	100.0

Brands

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

The Group tests indefinite life brands annually for impairment, or more frequently if there are indications that they might be impaired. At 30 June 2012 an impairment review was conducted using the calculations and assumptions as explained in note 10. The conclusion of this impairment review was that the Group's David Wilson Homes brand was not impaired.

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

Further information is given in Critical Accounting Judgements and Key Sources of Estimation Uncertainty on page 86.

12. Property, plant and equipment

	Property £m	Plant and equipment £m	Group Total £m	Property £m	Plant and equipment £m	Company Total £m
Cost						
At 1 July 2010	10.0	10.3	20.3	0.8	4.8	5.6
Additions	–	0.7	0.7	0.1	–	0.1
Transfers	(2.4)	2.4	–	–	–	–
Disposals	–	(1.4)	(1.4)	–	–	–
At 30 June 2011	7.6	12.0	19.6	0.9	4.8	5.7
Additions	–	2.4	2.4	–	1.0	1.0
Disposals	–	(1.9)	(1.9)	–	–	–
At 30 June 2012	7.6	12.5	20.1	0.9	5.8	6.7
Depreciation						
At 1 July 2010	3.8	9.8	13.6	0.8	3.7	4.5
Charge for the year	0.4	1.4	1.8	0.1	0.4	0.5
Transfers	(0.5)	0.5	–	–	–	–
Disposals	–	(1.4)	(1.4)	–	–	–
At 30 June 2011	3.7	10.3	14.0	0.9	4.1	5.0
Charge for the year	0.4	1.2	1.6	–	0.5	0.5
Disposals	–	(1.9)	(1.9)	–	–	–
At 30 June 2012	4.1	9.6	13.7	0.9	4.6	5.5
Net book value						
At 30 June 2011	3.9	1.7	5.6	–	0.7	0.7
At 30 June 2012	3.5	2.9	6.4	–	1.2	1.2

Authorised future capital expenditure that was contracted but not provided for in these financial statements amounted to £0.1m (2011: £nil).

13. Investments accounted for using the equity method

During the year the Group entered into two new joint venture arrangements: The Aldgate Place Limited Partnership and Aldgate Place (GP) Limited.

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

Joint venture	Percentage owned	Country of registration	Principal activity
Barratt Wates (Horley) Limited ¹	78.5%	England and Wales	Housebuilding
Ravenscraig Limited ²	33.3%	Scotland	Commercial development
DWH/Wates (Thame) Limited	50.0%	England and Wales	Housebuilding
Barratt Metropolitan LLP	50.0%	England and Wales	Housebuilding
Wandsworth Parkside LLP	50.0%	England and Wales	Housebuilding
Alie Street LLP	50.0%	England and Wales	Housebuilding
Queensland Road LLP	50.0%	England and Wales	Housebuilding
Barratt Wates (East Grinstead) Limited ³	50.0%	England and Wales	Holding Company
Barratt Wates (East Grinstead) No.2 Limited ⁴	50.0%	England and Wales	Housebuilding
Barratt Osborne Worthing LLP	50.0%	England and Wales	Housebuilding
Barratt Osborne Bexley LLP	50.0%	England and Wales	Housebuilding
The Aldgate Place Limited Partnership	50.0%	England and Wales	Housebuilding
Aldgate Place (GP) Limited	50.0%	England and Wales	Holding Company

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

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

³ On 21 November 2011 APCA Limited changed its name to Barratt Wates (East Grinstead) Limited.

⁴ On 21 November 2011 Barratt (East Grinstead) Limited changed its name to Barratt Wates (East Grinstead) No.2 Limited. Barratt Wates (East Grinstead) No.2 Limited is a wholly owned subsidiary of Barratt Wates (East Grinstead) Limited.

The Group equity accounts for investments in associates. The Group has significant interests in the following associates:

Associate	Percentage owned	Country of registration	Principal activity
BKY LLP	33.3%	England and Wales	Holding Company
New Tyne West Development Company LLP ¹	16.7%	England and Wales	Housebuilding

¹ New Tyne West Development Company LLP is classified as an associate as the Group exerts significant influence over the entity as part of the BKY LLP arrangements.

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

Joint ventures and associates

	Notes	2012 £m	Group 2011 £m
At 1 July		102.8	79.9
Net increase in investments in joint ventures		7.6	22.8
Net increase in investments in associates		0.3	–
Disposal of joint venture interest on acquisition of control	32	(25.5)	–
Share of post-tax profit for the year from joint ventures		0.5	0.1
Share of post-tax loss for the year from associates		(0.1)	–
At 30 June		85.6	102.8

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

In 2006 the Group entered into a joint venture agreement to develop sites in Greater Manchester including one in Hattersley. The Group's joint venture partner went into liquidation in March 2012 and on 9 May 2012 the Group acquired the remaining 50% equity in Base Regeneration and its subsidiaries, Base East Central Rochdale LLP, Base Hattersley LLP and Base Werneth Oldham LLP for £1. Therefore, in accordance with IFRS3 (Revised) 'Business Combinations' the 'Group' has disposed of its share in the joint venture and acquired the entities as subsidiaries resulting in an exceptional loss of £10.7m. Further details are provided in note 32.

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

	2012 £m	Group 2011 £m
Current assets	113.9	108.6
Non-current assets	0.6	–
Current liabilities	(13.0)	(35.5)
Non-current liabilities	(101.3)	(82.7)
Net assets/(liabilities) of joint ventures	0.2	(9.6)

The Group has made loans of £83.6m (2011: £111.0m) to its joint ventures which are included within Group investments accounted for using the equity method. Included within the Group's share of net assets/(liabilities) of joint ventures is a proportion of loans to the joint ventures calculated using the Group's ownership share of £82.4m (2011: £96.4m).

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

	2012 £m	Group 2011 £m
Income	32.6	18.0
Expenses	(31.3)	(17.3)
	1.3	0.7
Tax	(0.8)	(0.6)
Share of post-tax profit from joint ventures	0.5	0.1

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

Associates

In relation to the Group's interests in associates, the Group's share of assets and liabilities of the associates is an asset of £0.3m at 30 June 2012 (2011: £nil). The Group's share of the associates' expenses during the year was £0.1m (2011: £nil).

The Group has made loans of £0.3m (2011: £nil) to its associates, which are included within the Group investments accounted for using the equity method. Further details of transactions with associates are provided in note 34.

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

14. Investments

	2012 £m	Company 2011 £m
Cost		
At 1 July	2,675.3	2,673.0
(Decrease)/increase in investment in subsidiaries related to share-based payments	(3.7)	2.3
At 30 June	2,671.6	2,675.3
Impairment		
At 1 July and 30 June	57.6	57.6
Net book value		
At 1 July	2,617.7	2,615.4
At 30 June	2,614.0	2,617.7

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

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

* Owned through another Group company.

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

15. Available for sale financial assets

	Notes	2012 £m	Group 2011 £m
At 1 July		169.4	136.3
Additions		27.7	40.6
Disposals		(4.7)	(7.3)
Imputed interest	5	12.0	13.6
Net impairment taken through income statement	6	(11.8)	(16.3)
Fair value adjustment taken through other comprehensive income		(3.4)	2.5
At 30 June		189.2	169.4

Available for sale financial assets principally comprise interest free loans which are granted as part of sales transactions and for which the cash flows receivable are based on the value of the property at redemption. These loans are secured by way of a second legal charge on the respective property (after the first mortgage). These loans are held at the present value of expected future cash flows taking into account the estimated market value of the property at the estimated time of repayment. The income statement includes a net impairment of £11.8m (2011: £16.3m) in cost of sales.

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

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

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

The net impairment of the available for sale financial assets taken through the income statement relates to borrower default including an estimate made for losses incurred that have not yet been reported to the Group by the home owner or the first charge provider and the impact of the decline in UK house prices on the present value of the estimated future cash flows of these assets.

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

16. Deferred tax

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

Group	Pension scheme £m	Share options £m	Tax losses £m	Hedging £m	Brands £m	ACA £m	Other (net) £m	Total £m
At 1 July 2010	12.9	1.8	176.7	19.1	(28.0)	1.2	(10.4)	173.3
Income statement (charge)/credit	(3.2)	–	(19.7)	–	2.0	(0.4)	8.5	(12.8)
Acquired	–	–	–	–	–	–	0.4	0.4
Amounts taken directly to equity	(6.6)	–	–	(10.4)	–	–	(0.7)	(17.7)
At 30 June 2011	3.1	1.8	157.0	8.7	(26.0)	0.8	(2.2)	143.2
Income statement (charge)/credit	(0.3)	(0.6)	(36.4)	–	2.0	0.4	1.2	(33.7)
Acquired	–	–	–	–	–	–	(1.2)	(1.2)
Amounts taken directly to equity	2.4	(0.4)	4.3	3.2	–	–	0.8	10.3
At 30 June 2012	5.2	0.8	124.9	11.9	(24.0)	1.2	(1.4)	118.6

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

In addition to the above, the Group has not recorded a deferred tax asset of £5.4m (2011: £5.6m) in respect of capital and other losses because these are not considered recoverable in the foreseeable future.

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

Company	Pension scheme £m	Share options £m	Tax losses £m	Hedging £m	ACA £m	Other £m	Total £m
At 1 July 2010	12.9	0.2	47.8	19.1	0.6	0.2	80.8
Income statement (charge)/credit	(3.2)	(0.1)	(12.9)	–	(0.1)	1.1	(15.2)
Amounts taken directly to equity	(6.6)	0.1	–	(10.4)	–	–	(16.9)
At 30 June 2011	3.1	0.2	34.9	8.7	0.5	1.3	48.7
Income statement (charge)/credit	(0.3)	(0.2)	(5.3)	–	(0.1)	0.7	(5.2)
Amounts taken directly to equity	2.4	–	–	3.2	–	–	5.6
At 30 June 2012	5.2	–	29.6	11.9	0.4	2.0	49.1

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

The deferred tax asset recognised comprises:

	Notes	2012 £m	Group 2011 £m	2012 £m	Company 2011 £m
Pension scheme	26	5.2	3.1	5.2	3.1
Hedging		11.9	8.7	11.9	8.7
Losses		124.9	157.0	29.6	34.9
Share options		0.8	1.8	–	0.2
Other items, including capital allowances		5.5	4.6	2.4	1.8
Deferred tax assets		148.3	175.2	49.1	48.7
Brands		(24.0)	(26.0)	–	–
Other items		(5.7)	(6.0)	–	–
Deferred tax liabilities		(29.7)	(32.0)	–	–
Net deferred tax asset		118.6	143.2	49.1	48.7

17. Inventories

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

a) Nature of inventories

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

b) Impairment of inventories

At 30 June 2012 the Group reviewed the net realisable value of its land and work in progress carrying values of its sites. The impairment review compared the estimated future net present realisable value of development sites with their balance sheet carrying value. This review resulted in £nil (2011: £nil) net exceptional impairment charge for the housebuilding business. Due to performance variations upon individual housebuilding sites, there were gross exceptional impairment charges and reversals of £31.5m (2011: £65.0m). In addition, due to changes arising from normal trading, such as planning status, there was a net inventory impairment charge of £6.6m (2011: £5.4m) included within profit from operations. There was £nil (2011: £nil) net impairment for the commercial developments business, although there were gross impairment charges and reversals of £3.3m (2011: £1.2m) due to performance variations upon individual commercial sites.

The key judgements in these reviews were estimating the realisable value of a site which is determined by forecast sales rates, expected sales prices and estimated costs to complete. Sales prices were estimated on a site-by-site basis based upon local market conditions and took into account the current prices being achieved upon each site for each product type. In addition, the estimation of future sales prices included an allowance on a site-by-site basis for low single digit sales price inflation in future periods. The estimation of costs to complete also included an allowance for low single digit build cost inflation in future periods. Further information regarding these judgements is included within the Critical Accounting Judgements and Key Sources of Estimation Uncertainty section on page 85.

In the past six months, in general, the Group has not seen an improvement in underlying prices and has continued to control overall cost inflation. If the UK housing market were to change beyond management expectations in the future, in particular with regards to the assumptions around likely sales prices and estimated costs to complete, then further adjustments to the carrying value of land and work in progress may be required.

Following these impairments £607.5m (2011: £793.1m) of inventories are valued at fair value less costs to sell rather than at historical cost.

c) Expensed inventories

The value of inventories expensed in 2012 and included in cost of sales was £1,900.5m (2011: £1,696.7m) including £18.8m (2011: £11.8m) of inventory write-downs incurred in the course of normal trading and a reversal of £nil (2011: £0.4m) on inventories that were written down in a previous accounting period, but excluding the £nil (2011: £nil) exceptional impairment and £6.6m (2011: £5.4m) operating impairment.

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

d) Company

The Company has no inventories.

18. Trade and other receivables

	2012 £m	Group 2011 £m	2012 £m	Company 2011 £m
Non-current assets				
Other receivables	4.1	5.7	–	–
	4.1	5.7	–	–
Current assets				
Trade receivables	34.6	43.9	–	–
Amounts due from subsidiary undertakings	–	–	556.4	780.7
Other receivables	8.4	9.4	0.5	0.3
Prepayments and accrued income	7.3	5.4	1.1	0.8
	50.3	58.7	558.0	781.8

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

	2012 £m	Group 2011 £m
Ageing of overdue but not impaired receivables		
Less than three months	4.3	3.5
Greater than three months	2.1	2.9

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

	Notes	2012 £m	Group 2011 £m
At 1 July		3.8	3.0
Charge for the year	6	2.4	2.3
Uncollectible amounts written off, net of recoveries		(2.7)	(1.5)
At 30 June		3.5	3.8

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

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

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

19. Trade and other payables

	2012 £m	Group 2011 £m	2012 £m	Company 2011 £m
Non-current liabilities				
Land payables	358.0	351.6	–	–
Other payables	1.4	0.9	–	–
	359.4	352.5	–	–
Current liabilities				
Trade payables	291.4	303.8	2.8	3.0
Land payables	368.1	349.1	–	–
Accruals and deferred income	289.4	302.8	31.9	36.7
Other tax and social security	1.5	1.5	–	–
Other payables	51.5	70.0	–	–
	1,001.9	1,027.2	34.7	39.7

Accruals and deferred income includes a £0.7m (2011: £1.8m) social security accrual relating to share-based payments (note 28).

Total payables include £284.7m (2011: £263.6m) secured by legal charges on certain assets.

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

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

20. Contract accounting

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

	2012 £m	Group 2011 £m
Amounts due from contract customers included in trade and other receivables	10.8	11.4
Amounts due to contract customers included in trade and other payables	(13.1)	(20.6)
	(2.3)	(9.2)
Contract costs incurred plus recognised profits less recognised losses to date	142.5	326.4
Less progress billings	(144.8)	(335.6)
	(2.3)	(9.2)

At 30 June 2012, retentions held by customers for contract work amounted to £8.6m (2011: £7.7m) of which £2.3m (2011: £3.1m) are due for settlement after twelve months. Advances received from customers for contract work amounted to £17.1m (2011: £35.9m) of which £8.6m (2011: £5.1m) relates to work which is not expected to be performed in the next twelve months.

21. Cash and cash equivalents

	2012 £m	Group 2011 £m	2012 £m	Company 2011 £m
Cash and cash equivalents	150.3	72.7	70.1	57.1

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

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

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22. Financial assets

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

	Notes	Fair value £m	2012 Carrying value £m	Fair value £m	Group 2011 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	24	29.4	29.4	25.0	25.0
Loans and receivables					
Cash and cash equivalents	21	150.3	150.3	72.7	72.7
Trade and other receivables		27.4	27.4	36.8	36.8
Available for sale					
Available for sale financial assets	15	189.2	189.2	169.4	169.4
Total financial assets		396.3	396.3	303.9	303.9

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

	Notes	Fair value £m	2012 Carrying value £m	Fair value £m	Company 2011 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	24	29.4	29.4	25.0	25.0
Loans and receivables					
Cash and cash equivalents	21	70.1	70.1	57.1	57.1
Trade and other receivables	18	0.5	0.5	0.3	0.3
Intercompany loans	18	556.4	556.4	780.7	780.7
Total financial assets		656.4	656.4	863.1	863.1

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

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

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

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Group 2012 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial assets	24	29.4	–	–	29.4
Available for sale					
Available for sale financial assets	15	–	–	189.2	189.2
Total		29.4	–	189.2	218.6

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

22. Financial assets (continued)

In the current year the Group has reviewed the fair value hierarchy applied to the measurement of the fair value of our available for sale financial assets and concluded that the assets should be classified as Level 3 rather than as Level 2, as previously classified. The previous year has been restated to reflect this. Further disclosures upon available for sale assets are provided in note 15 and note 25 (b)(i).

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Company 2012 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial assets	24	29.4	–	–	29.4
Total		29.4	–	–	29.4

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

23. Financial liabilities

a) Fair value and carrying value

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

	Notes	Fair value £m	2012 Carrying value £m	Fair value £m	Group 2011 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	24	53.3	53.3	37.0	37.0
Other financial liabilities					
Trade and other payables		1,204.5	1,199.1	1,232.5	1,227.3
Loans and borrowings	23b	365.9	343.3	421.9	416.7
Total financial liabilities		1,623.7	1,595.7	1,691.4	1,681.0

23. Financial liabilities (continued)**a) Fair value and carrying value (continued)**

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

	Notes	Fair value £m	2012 Carrying value £m	Fair value £m	Company 2011 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	24	53.3	53.3	37.0	37.0
Other financial liabilities					
Bank overdrafts	23b	2.4	2.4	106.3	106.3
Trade and other payables		28.8	28.8	34.0	34.0
Loans and borrowings	23b	364.6	342.0	411.0	405.8
Total financial liabilities		449.1	426.5	588.3	583.1

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

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

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

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

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

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

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Group 2012 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial liabilities	24	53.3	–	–	53.3
Total		53.3	–	–	53.3

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

23. Financial liabilities (continued)

a) Fair value and carrying value (continued)

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Company 2012 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial liabilities	24	53.3	–	–	53.3
Total		53.3	–	–	53.3

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

b) Drawn debt facilities

The drawn debt at 30 June comprises:

	2012 £m	Group 2011 £m	2012 £m	Company 2011 £m
Non-current				
Bank loans	106.2	175.2	106.2	175.2
Private placement notes	225.0	230.3	225.0	230.3
Total non-current borrowings	331.2	405.5	331.2	405.5
Current				
Bank overdrafts	–	–	2.4	106.3
Loan notes	0.2	0.3	0.2	0.3
Private placement notes	10.6	–	10.6	–
Kickstart equity funding	1.3	10.9	–	–
Total current borrowings	12.1	11.2	13.2	106.6
Total borrowings	343.3	416.7	344.4	512.1

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

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

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

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

i) Committed facilities

- A committed £690.0m revolving credit facility, of which £20.0m was drawn at 30 June 2012, made available under a credit agreement dated 10 May 2011. The maturity date on this debt is 10 May 2015.
- A committed £90.0m revolving credit facility, none of which was drawn at 30 June 2012, made available under a credit agreement dated 10 May 2011. The maturity date on this debt is 31 October 2013, however on 6 September 2012 the Group gave voluntary notice for its cancellation. Further details of the cancellation are set out in note 35.
- A committed £100.0m term loan of which £100.0m was drawn at 30 June 2012, made available under a credit agreement dated 10 May 2011. The maturity of which is 25% scheduled to be repaid on 1 July 2019, 25% on 1 July 2020 and 50% on 1 July 2021.

ii) Fixed rate Sterling private placement notes

- £65.8m of fixed rate Sterling private placement notes expire between 23 April 2018 and 23 April 2020 and were issued pursuant to a note purchase agreement dated 23 April 2008 (as amended from time to time and most recently with effect from 10 May 2011).

iii) Fixed rate US Dollar private placement notes

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

iv) Floating rate Sterling loan notes

The Group had £0.2m (2011: £0.3m) Sterling loan notes at 30 June 2012. These loan notes were repayable at 30 June or 31 December each year at the option of the noteholder or, to the extent not previously repaid, were due in July 2012, and are subject to floating rates of interest linked to LIBOR.

v) Bank overdrafts and uncommitted money market facilities

The Group also uses various bank overdrafts and uncommitted borrowing facilities that are subject to floating interest rates linked to UK bank rate, LIBOR and money market rates as applicable. All debt is unsecured.

23. Financial liabilities (continued)

c) Net debt

Net debt at 30 June 2012 is shown below:

	2012 £m	Group 2011 £m	2012 £m	Company 2011 £m
Cash and cash equivalents	150.3	72.7	70.1	57.1
Non-current borrowings				
Bank loans	(106.2)	(175.2)	(106.2)	(175.2)
Private placement notes	(225.0)	(230.3)	(225.0)	(230.3)
Total non-current borrowings	(331.2)	(405.5)	(331.2)	(405.5)
Current borrowings				
Bank overdrafts	–	–	(2.4)	(106.3)
Loan notes	(0.2)	(0.3)	(0.2)	(0.3)
Private placement notes	(10.6)	–	(10.6)	–
Kickstart equity funding	(1.3)	(10.9)	–	–
Total current borrowings	(12.1)	(11.2)	(13.2)	(106.6)
Total borrowings	(343.3)	(416.7)	(344.4)	(512.1)
Derivative financial instruments				
Foreign exchange swaps	25.3	21.4	25.3	21.4
Net debt	(167.7)	(322.6)	(249.0)	(433.6)

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. Net debt is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps. The Group includes foreign exchange swaps within net debt as these swaps were entered into to hedge the foreign exchange exposure upon the Group's US Dollar denominated private placement notes. The Group's foreign exchange swaps have both an interest rate and an exchange rate element and only the exchange rate element on the notional amount of the swap is included within the net debt note above.

The Group's derivative financial instruments at 30 June are shown below:

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

24. Derivative financial instruments – swaps

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

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

a) Interest rate swaps

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

All of the Group's and Company's interest rate swap arrangements contain a clause that allows the Group/Company or the counterparty to cancel the swap in May 2015 at fair value.

During the year ended 30 June 2011 swaps with a notional amount of £288.0m were cancelled following the Group's refinancing. Cumulative losses on interest rate swaps of £29.8m were recognised in exceptional finance costs in the income statement following these cancellations.

As at 30 June 2012 the Group had outstanding net floating rate Sterling debt of £106.5m (2011: £175.5m) and the Company had outstanding net floating rate Sterling debt and overdrafts of £108.9m (2011: £281.8m). In obtaining this funding the Group and the Company sought to achieve certainty as to both the availability of, and income statement charge related to, a designated proportion of anticipated future debt requirements.

The Group and Company have entered into swap arrangements to swap £192.0m (2011: £192.0m) of this debt into fixed rate Sterling debt in accordance with the Group and Company treasury policy outlined in note 25. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

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

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

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

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

24. Derivative financial instruments – swaps (continued)

b) Foreign exchange swaps

The Group and Company enter into derivative transactions in the form of swap arrangements to manage the cash flow risks related to foreign exchange arising from the Group's sources of finance denominated in US Dollars.

As at 30 June 2012 the Group and Company had outstanding fixed rate US Dollar loan notes of \$267.2m (2011: \$267.2m).

The Group and Company have entered into swap arrangements to swap all of this debt into fixed rate Sterling debt in accordance with the Group treasury policy outlined in note 25. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

\$m	Fixed rate payable %	2012 Maturity	\$m	Fixed rate payable %	2011 Maturity
18.2	8.98	2013	18.2	8.98	2013
1.0	10.95	2013	1.0	10.95	2013
1.4	10.78	2013	1.4	10.78	2013
103.7	6.61	2017	103.7	6.61	2017
7.5	10.55	2017	7.5	10.55	2017
12.8	9.75	2017	12.8	9.75	2017
80.0	8.14	2017	80.0	8.14	2017
33.7	9.24	2018	33.7	9.24	2018
3.6	12.23	2018	3.6	12.23	2018
5.3	11.37	2018	5.3	11.37	2018
267.2			267.2		

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

There was no ineffectiveness to be taken through the income statement during the year or the prior year. Further disclosures relating to financial instruments are set out in note 25.

25. Financial risk management

The principal operational risks of the business are detailed on pages 36 to 39. The Group's financial assets, financial liabilities and derivative financial instruments are detailed in notes 22, 23 and 24.

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

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

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

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

On 6 September 2012, the Group gave voluntary notice to cancel the £90.0m revolving credit facility with effect from 12 September 2012. Further details of the cancellation are set out in note 35.

The Group was in compliance with its financial covenants at 30 June 2012. At the date of approval of the financial statements the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future being at least twelve months from the date of signing these financial statements.

The Group's objective is to minimise refinancing risk. The Group therefore has a policy that the average maturity of its committed bank facilities and private placement notes is at least two years on average with a target of three years. At 30 June 2012, the average maturity of the Group's facilities was 3.7 years (2011: 3.7 years).

The Group maintains certain committed floating rate facilities with banks to ensure sufficient liquidity for its operations. The undrawn committed facilities available to the Group, in respect of which all conditions precedent had been met, were as follows:

	2012 £m	Group 2011 £m	2012 £m	Company 2011 £m
Expiry date				
In less than one year	–	228.5	–	228.5
In more than one year but not more than two years	90.0	–	90.0	–
In more than two years but not more than five years	670.0	770.0	670.0	770.0
In more than five years	–	100.0	–	100.0
	760.0	1,098.5	760.0	1,098.5

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

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

Group	Notes	Carrying amount £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
2012							
Loans and borrowings (including bank overdrafts)	23a	343.3	558.5	62.7	49.7	116.1	330.0
Trade and other payables	23a	1,199.1	1,253.2	849.4	259.1	126.3	18.4
		1,542.4	1,811.7	912.1	308.8	242.4	348.4
2011							
Loans and borrowings (including bank overdrafts)	23a	416.7	663.4	54.8	54.7	298.4	255.5
Trade and other payables	23a	1,227.3	1,285.7	883.5	204.1	184.6	13.5
		1,644.0	1,949.1	938.3	258.8	483.0	269.0

25. Financial risk management (continued)

a) Liquidity risk (continued)

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

Company	Notes	Carrying amount £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
2012							
Loans and borrowings (including bank overdrafts)	23a	344.4	559.6	63.8	49.7	116.1	330.0
Trade and other payables	23a	28.8	28.8	28.8	–	–	–
		373.2	588.4	92.6	49.7	116.1	330.0
2011							
Loans and borrowings (including bank overdrafts)	23a	512.1	758.8	150.2	54.7	298.4	255.5
Trade and other payables	23a	34.0	34.0	34.0	–	–	–
		546.1	792.8	184.2	54.7	298.4	255.5

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

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

Group and Company	Notes	Carrying amount £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
2012							
Financial assets							
Gross settled derivatives							
Receive leg	22	29.4	220.7	24.3	10.9	158.5	27.0
Pay leg		–	(189.9)	(20.8)	(10.0)	(137.1)	(22.0)
Financial liabilities							
Gross settled derivatives							
Receive leg	23a	(0.8)	11.5	1.4	0.7	6.9	2.5
Pay leg		–	(12.2)	(1.5)	(0.8)	(7.3)	(2.6)
Net settled derivatives	23a	(52.5)	(55.4)	(9.0)	(9.6)	(25.9)	(10.9)
		(23.9)	(25.3)	(5.6)	(8.8)	(4.9)	(6.0)
2011							
Financial assets							
Gross settled derivatives							
Receive leg	22	25.0	224.6	11.6	18.2	33.2	161.6
Pay leg		–	(197.2)	(10.9)	(16.3)	(30.8)	(139.2)
Financial liabilities							
Gross settled derivatives							
Receive leg	23a	(1.0)	12.1	0.7	1.4	2.1	7.9
Pay leg		–	(13.1)	(0.9)	(1.5)	(2.4)	(8.3)
Net settled derivatives	23a	(36.0)	(38.9)	(9.0)	(8.2)	(15.6)	(6.1)
		(12.0)	(12.5)	(8.5)	(6.4)	(13.5)	15.9

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

25. Financial risk management (continued)**b) Market risk (price risk)****i) UK housing market risk**

This section specifically discusses UK housing market risk in the context of the financial instruments in the Group balance sheet.

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. However, the Group does seek to maintain an appropriate geographic spread of operating divisions and an appropriate product mix to mitigate any risks caused by local economic conditions. The Group has detailed procedures to manage its market related operational risks which include:

- a weekly review of key trading indicators, including reservations, sales rates, visitor levels, levels of incentives, competitor activity and cash flow projections;
- the provision to mortgage providers with complete transparency of house purchase prices alongside any discounts or other incentives in order that they have appropriate information upon which to base their lending decision; and
- collaboration with key mortgage lenders to ensure that products are appropriate wherever possible for their customers.

The UK housing market affects the valuation of the Group's non-financial assets and liabilities and the critical judgements applied by management in these financial statements, including the valuation of land and work in progress, goodwill and brands.

The Group's financial assets and liabilities which are directly linked to the UK housing market are as follows:

	Linked to UK housing market £m	Not linked to UK housing market £m	Total £m
Group			
2012			
Non-derivative financial assets	189.2	177.7	366.9
Non-derivative financial liabilities	–	(1,542.4)	(1,542.4)
Derivatives	–	(23.9)	(23.9)
	189.2	(1,388.6)	(1,199.4)
2011			
Non-derivative financial assets	169.4	109.5	278.9
Non-derivative financial liabilities	–	(1,644.0)	(1,644.0)
Derivatives	–	(12.0)	(12.0)
	169.4	(1,546.5)	(1,377.1)

The value of the Group's available for sale financial assets is directly linked to the UK housing market. At 30 June 2012 these assets were carried at a fair value of £189.2m (2011: £169.4m). Further information is set out in note 15.

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

Sensitivity analysis

At 30 June 2012, if UK house prices had been 5% lower and all other variables were held constant, the Group's house price linked financial assets and liabilities, which are solely available for sale financial assets, would decrease in value, excluding the effects of tax, by £9.7m (2011: £8.1m) with a corresponding reduction in both the result for the year and equity.

ii) Interest rate risk

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

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

25. Financial risk management (continued)

b) Market risk (price risk) (continued)

ii) Interest rate risk (continued)

The Group has a conservative treasury risk management strategy. The proportion of the Group's median gross borrowings calculated on the latest three-year plan that should be at fixed rates of interest is determined by the average expected interest cover for that period. The current target is for 30-60% to be at fixed rates of interest. Due to the cyclical nature of our borrowings throughout the year, at 30 June 2012, 61.7% (2011: 99.3%) of the Group's gross borrowings were fixed. Group interest rates are fixed using both swaps and fixed rate debt instruments.

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

Group	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
2012				
Financial liabilities (excluding derivatives)	106.5	236.8	1,199.1	1,542.4
Impact of interest rate swaps	(192.0)	192.0	–	–
Financial liability exposure to interest rate risk	(85.5)	428.8	1,199.1	1,542.4
2011				
Financial liabilities (excluding derivatives)	175.5	230.3	1,238.2	1,644.0
Impact of interest rate swaps	(192.0)	192.0	–	–
Financial liability exposure to interest rate risk	(16.5)	422.3	1,238.2	1,644.0

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

Company	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
2012				
Financial liabilities (excluding derivatives)	108.9	235.5	28.8	373.2
Impact of interest rate swaps	(192.0)	192.0	–	–
Financial liability exposure to interest rate risk	(83.1)	427.5	28.8	373.2
2011				
Financial liabilities (excluding derivatives)	281.8	230.3	34.0	546.1
Impact of interest rate swaps	(192.0)	192.0	–	–
Financial liability exposure to interest rate risk	89.8	422.3	34.0	546.1

Floating interest rates on Sterling borrowings are linked to UK bank rate, LIBOR and money market rates. The floating rates are fixed in advance for periods generally ranging from one to six months. Short-term flexibility is achieved through the use of overdraft, committed and uncommitted bank facilities. The weighted average interest rate for floating rate borrowings in 2012 was 3.5% (2011: 2.4%).

Sterling private placement notes of £65.8m (2011: £65.8m) were arranged at fixed interest rates and exposed the Group to fair value interest rate risk. The weighted average interest rate for fixed rate Sterling private placement notes for 2012 was 12.0% (2011: 11.9%) with, at 30 June 2012 a weighted average period of 6.9 years (2011: 7.9 years) for which the rate is fixed.

US Dollar denominated private placement notes of £145.0m (2011: £145.0m) were arranged at fixed interest rates and exposed the Group to fair value interest rate risk. The weighted average interest rate for fixed rate US Dollar denominated private placement notes, after the effect of foreign exchange rate swaps, for 2012 was 10.2% (2011: 11.0%) with, at 30 June 2012, a weighted average period of 4.9 years (2011: 5.9 years) for which the rate is fixed.

Sensitivity analysis

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

25. Financial risk management (continued)

b) Market risk (price risk) (continued)

iii) Foreign exchange rate risk

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

Details of the Group's foreign exchange swaps are provided in note 24.

Sensitivity analysis

In the year ended 30 June 2012, if the US Dollar per Pound Sterling exchange rate had been \$0.20 higher/lower and all other variables were held constant, the Group's pre-tax profit would decrease/increase by £0.3m (2011: £0.7m), the Group's post-tax profit would decrease/increase by £0.2m (2011: £0.5m) and the Group's equity would decrease/increase by £0.2m (2011: £0.5m).

c) Credit risk

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

The Group manages credit risk in the following ways:

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

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

As at 30 June 2012, the Company was exposed to £556.4m (2011: £780.7m) of credit risk in relation to intercompany loans, as well as financial guarantees, performance bonds and the bank borrowings of subsidiary undertakings. Further details are provided in notes 33 and 34.

d) Capital risk management (cash flow risk)

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

The Group manages as capital its equity, as set out in the condensed consolidated statement of changes in shareholders' equity, its bank borrowings (being overdrafts, loan notes and bank loans) and its private placement notes, as set out in note 23.

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. The management of these operational risks is set out in the principal risks and uncertainties on pages 36 to 39.

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

26. Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

Defined contribution schemes

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

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

Defined benefit scheme

The Group operates a funded defined benefit pension scheme in Great Britain, the Barratt Group Pension & Life Assurance Scheme (the 'Scheme') which, with effect from 30 June 2009, ceased to offer future accrual of defined benefit pensions. Alternative defined contribution pension arrangements are in place for current employees.

The most recent full actuarial valuation of the Scheme was carried out at 30 November 2010. The results of this valuation have been updated to 30 June 2012 by a qualified independent actuary. The Group has agreed with the Trustees to make contributions to the Scheme of £13.3m per annum until 31 January 2017 to address the Scheme's deficit. The Group also continues to meet the Scheme's administration expenses, death in service premiums and Pension Protection Fund levy.

At the balance sheet date there were outstanding contributions of £1.1m (2011: £1.1m).

The assets of the defined benefit scheme have been calculated at fair (bid) value. The liabilities of the Scheme have been calculated at each balance sheet date using the following assumptions:

Principal actuarial assumptions	2012	2011
Weighted average assumptions to determine benefit obligations		
Discount rate	4.80%	5.50%
Rate of price inflation	2.90%	3.50%
Weighted average assumptions to determine net cost		
Discount rate	5.50%	5.40%
Expected long-term rate of return on plan assets	6.10%	5.96%
Rate of price inflation	3.50%	3.20%

Members are assumed to exchange 15% of their pension for cash on retirement. The assumptions have been chosen by the Group following advice from Mercer Human Resource Consulting Limited, the Group's actuarial advisers.

The following table illustrates the life expectancy for an average member on reaching age 65, according to the mortality assumptions used to calculate the Scheme liabilities:

Assumptions	Male	Female
Retired member born in 1935 (life expectancy at age 65)	24.1 years	26.5 years
Non-retired member born in 1965 (life expectancy at age 65)	25.8 years	28.6 years

The base mortality assumptions are based upon the S1NA mortality tables. The Group has carried out a mortality investigation of the Scheme's membership to ensure that this is an appropriate assumption. In 2011 the base mortality assumptions were based upon the PA92 mortality tables. Allowance for future increases in life expectancy is made in line with the medium cohort projection, with an underpin on the annual rate of improvement in mortality of 1.25% (2011: 1.0%).

26. Retirement benefit obligations (continued)

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

Assumptions	Change in assumption	Increase in Scheme liabilities
Discount rate	Decrease by 0.1%	£5.8m (2.1%)
Rate of inflation	Increase by 0.1%	£3.7m (1.3%)
Life expectancy	Increase by 1 year	£7.4m (2.6%)

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

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

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

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

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

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

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

A deferred tax asset of £5.2m (2011: £3.1m) has been recognised in the Group balance sheet in relation to the pension liability (note 16).

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

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

26. Retirement benefit obligations (continued)

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

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

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

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

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily Government bonds), the historical level of risk premium associated with other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The actual return on Scheme assets was as follows:

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

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

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

The cumulative amount of actuarial gains and losses since 30 June 2005 recognised in the Group statement of comprehensive income is a loss of £9.0m.

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

27. Share capital

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

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

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

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

28. Share-based payments

Analysis of income statement charge/(credit):

	2012 £m	2011 £m
Equity-settled share-based payments:		
Long-Term Performance Plan	2.1	0.8
Savings-Related Share Option Scheme	0.5	1.5
Executive Share Option Scheme	0.4	(0.4)
Senior Management Share Option Plan	0.3	0.3
Cash-settled share-based payments	(0.2)	(0.8)
	3.1	1.4

As at 30 June 2012, an accrual of £0.7m (2011: £1.8m) was recognised in respect of social security liabilities on share-based payments.

28. Share-based payments (continued)

a) Details of the share-based payment schemes

i) Long-Term Performance Plan

The Long-Term Performance Plan (the 'LTPP') was approved by shareholders at the Annual General Meeting held in November 2003 to take effect from 1 July 2003. 8,313,562 (2011: 6,841,830) LTPP awards were granted in the financial year ended 30 June 2012. Awards under the LTPP are at the discretion of the Remuneration Committee (the 'Committee'), taking into account individual performance and overall performance of the Group. An employee is not eligible to receive options under the Executive Share Option Scheme and awards under the LTPP in the same financial year. Information on the performance conditions for the LTPP can be found on page 59.

ii) Savings-Related Share Option Scheme

In November 2008, the Company adopted the Savings-Related Share Option Scheme (the 'SRSOS'). Under the SRSOS, participants are required to make monthly contributions to a HM Treasury approved savings contract with a bank or building society for a period of three or five years. On entering into the savings contract participants were granted an option to acquire ordinary shares in the Company at an exercise price determined under the rules of the SRSOS. The exercise of options under the SRSOS is not subject to the satisfaction of a performance condition as the SRSOS is HM Revenue and Customs approved and open to all eligible employees. The first grant under the SRSOS was made on 3 February 2009 at an exercise price of 87.05 pence per share (which was subsequently adjusted to reflect the Rights Issue to 57.05 pence per share). The second grant under the SRSOS was made on 30 March 2010 at an exercise price of 116.18 pence per share. The third grant under the SRSOS was made on 29 March 2011 at an exercise price of 104.59 pence per share. The fourth grant under the SRSOS was made on 28 March 2012 at an exercise price of 125.00 pence per share.

iii) Executive Share Option Scheme

In November 2008, the Company adopted the Executive Share Option Scheme (the 'ESOS'). The grant of share options under the ESOS is at the discretion of the Committee, taking into account individual performance and the overall performance of the Group. Options must be held for a minimum of three years from the date of grant before they can be exercised and lapse if not exercised within ten years from the date of grant. The exercise of options granted under the ESOS is subject to the achievement of an objective performance condition set by the Committee, which for options granted in 2009/10 was based upon total shareholder return and earnings per share performance conditions. More information can be found on page 60.

iv) Senior Management Share Option Plan

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

v) Executive Share Option Plan

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

vi) Employee Share Option Plan

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

vii) Senior Management Incentive Plan

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

28. Share-based payments (continued)**a) Details of the share-based payment schemes (continued)****viii) Co-Investment Plan**

The Co-Investment Plan (the 'Plan') was approved by shareholders at the Annual General Meeting held in November 2005 and is currently utilised to hold shares awarded in respect of any bonus earned in excess of 100% of base salary. There are no matching shares awarded against these shares. In previous years any annual bonus earned above target was normally compulsorily deferred into shares held under this Plan. The Executive Directors also have the opportunity to voluntarily defer additional amounts of annual bonus up to a maximum of 25% of basic salary into the Plan. Further details are on page 58.

b) Outstanding equity-settled share-based payments

At 30 June 2012, the following options were outstanding:

Date of grant	Option price pence	2012 Number	Not exercisable after
Executive Share Option Plan			
22 October 2002	285	120,466	21 October 2012
10 October 2003	357	559,517	9 October 2013
Total Executive Share Option Plan options		679,983	
Executive Share Option Scheme			
10 December 2009 (approved*)	118	25,458	9 December 2019
10 December 2009 (unapproved*)	121	5,997,584	9 December 2019
Total Executive Share Option Scheme options		6,023,042	
Senior Management Share Option Plan			
10 December 2009 (approved*)	118	2,665,786	9 December 2019
10 December 2009 (unapproved*)	121	964,411	9 December 2019
Total Senior Management Share Option Plan options		3,630,197	
Employee Share Option Plan			
14 May 2004	387	417,801	13 May 2014
Total Employee Share Option Plan options		417,801	
Savings-Related Share Option Scheme			
3 February 2009	57	1,188,852	30 September 2012
30 March 2010	116	1,386,804	30 November 2013
29 March 2011	105	1,207,780	30 November 2014
28 March 2012 – 3 year plan	125	5,186,501	30 November 2015
28 March 2012 – 5 year plan	125	1,662,384	30 November 2017
Total Savings-Related Share Option Scheme options		10,632,321	
Total share options		21,383,344	
Long-Term Performance Plan			
14 October 2010	–	6,516,830	–
20 October 2011	–	8,313,562	–
Total Long-Term Performance Plan awards		14,830,392	
Co-Investment Plan			
18 October 2011	–	123,474	–
Total Co-Investment Plan awards		123,474	
Total		36,337,210	

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

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

28. Share-based payments (continued)

c) Outstanding cash-settled share-based payments

At 30 June 2012, the following awards issued in accordance with the rules of the Senior Management Incentive Plan were outstanding:

Date of grant	Award price pence	2012 Number	2011 Number
Senior Management Incentive Plan			
6 May 2009	57	–	7,850,718
Total Senior Management Incentive Plan		–	7,850,718

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

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

	Weighted average exercise price in pence	2012 Number of options	Weighted average exercise price in pence	2011 Number of options
Outstanding at 1 July	333	1,186,487	328	1,290,193
Forfeited during the year	320	(506,504)	276	(103,706)
Outstanding at 30 June	344	679,983	333	1,186,487
Exercisable at 30 June	344	679,983	333	1,186,487

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

	Weighted average exercise price in pence	2012 Number of options	Weighted average exercise price in pence	2011 Number of options
Outstanding at 1 July	380	497,065	376	551,176
Forfeited during the year	341	(79,264)	342	(54,111)
Outstanding at 30 June	387	417,801	380	497,065
Exercisable at 30 June	387	417,801	380	497,065

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

	Weighted average exercise price in pence	2012 Number of award units	Weighted average exercise price in pence	2011 Number of award units
Outstanding at 1 July	–	6,516,830	–	3,613,185
Forfeited during the year	–	–	–	(3,938,185)
Granted during the year	–	8,313,562	–	6,841,830
Outstanding at 30 June	–	14,830,392	–	6,516,830
Exercisable at 30 June	–	–	–	–

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

	Weighted average exercise price in pence	2012 Number of options	Weighted average exercise price in pence	2011 Number of options
Outstanding at 1 July	69	15,699,125	68	16,917,153
Forfeited during the year	37	(9,676,083)	59	(1,218,028)
Outstanding at 30 June	121	6,023,042	69	15,699,125
Exercisable at 30 June	–	–	–	–

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

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

	Weighted average exercise price in pence	2012 Number of options	Weighted average exercise price in pence	2011 Number of options
Outstanding at 1 July	119	3,834,687	119	4,065,683
Forfeited during the year	119	(204,490)	119	(230,996)
Outstanding at 30 June	119	3,630,197	119	3,834,687
Exercisable at 30 June	–	–	–	–

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

	Weighted average exercise price in pence	2012 Number of options	Weighted average exercise price in pence	2011 Number of options
Outstanding at 1 July	68	15,303,105	65	15,350,256
Forfeited during the year	84	(1,117,777)	78	(1,412,932)
Granted during the year	125	6,896,472	105	1,491,892
Exercised during the year	57	(10,449,479)	57	(126,111)
Outstanding at 30 June	114	10,632,321	68	15,303,105
Exercisable at 30 June	57	1,188,852	–	–

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

	Weighted average exercise price in pence	2012 Number of award units	Weighted average exercise price in pence	2011 Number of award units
Outstanding at 1 July	57	7,850,718	57	8,009,282
Forfeited during the year	57	(7,850,718)	57	(158,564)
Outstanding at 30 June	–	–	57	7,850,718
Exercisable at 30 June	–	–	–	–

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

	Weighted average exercise price in pence	2012 Number of award units	Weighted average exercise price in pence	2011 Number of award units
Outstanding at 1 July	–	–	–	126,532
Forfeited during the year	–	–	–	(55,791)
Exercised during the year	–	(9,017)	–	(70,741)
Granted during the year	–	132,491	–	–
Outstanding at 30 June	–	123,474	–	–
Exercisable at 30 June	–	–	–	–

The weighted average share price, at the date of exercise, of share options exercised during the year was 135.1p (2011: 89.4p). The weighted average life for all schemes outstanding at the end of the year was 3.5 years (2011: 4.6 years).

28. Share-based payments (continued)

e) Income statement charge

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

i) Savings-Related Share Option Scheme

The weighted average fair value of the options granted during 2012 was 37.7p (2011: 29.0p) per award. The awards have been valued using a Black-Scholes model.

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

	Grants 2012	Grants 2011
Average share price	145p	113p
Average exercise price	125p	105p
Expected volatility	32.2%	30.7%
Expected life	3.5 years	3.0 years
Risk free interest rate	0.77%	1.33%
Expected dividends	1.91%	–

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

ii) Long-Term Performance Plan

The weighted average fair value of the options granted during 2012 was 50.0p (2011: 51.2p).

The awards have been valued using a Black-Scholes model for the earnings per share element of the scheme and a Monte Carlo model for the total shareholder return element of the scheme.

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

	Grants 2012	Grants 2011
Average share price	86p	88p
Average exercise price	–	–
Expected volatility	32.2%	30.7%
Expected life	3.8 years	3.0 years
Risk free interest rate	2.17%	1.08%
Expected dividends	1.91%	–

29. Reserves

Hedging reserve

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

Transfers to the hedging reserve in the period equate to losses of £21.1m (2011: £23.6m). This loss comprises losses of £25.7m (2011: £15.4m) relating to interest rate swaps and gains of £4.6m (2011: losses of £8.2m) on cross currency interest rate swaps.

Transfers from the hedging reserve to the income statement for the period are gains of £5.1m (2011: £58.3m).

Transfers arose from continuing cash flow hedges of interest rate risks and foreign exchange risks where the hedged risk impacted profit or loss in the period. Of these costs £9.1m (2011: £21.5m) related to hedged interest cash flows and a loss of £4.0m (2011: gain of £7.0m) related to hedged foreign currency cash flows.

In the prior year, an amount of £29.8m, relating to deferred losses on interest rate swaps that previously hedged floating rate interest payments (on £288m of debt that was repaid and not refinanced) which are no longer expected to occur, was recognised in the income statement as an exceptional item.

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29. Reserves (continued)

Merger reserve

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

Own shares

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

Share-based payments reserve

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

Parent Company income statement

In accordance with the provisions of section 408 of the Companies Act 2006, a separate income statement for the Company has not been presented. The Company's loss for the year was £36.5m (2011: £73.1m).

30. Cash flows from operating activities

	Notes	2012 £m	Group 2011 £m	2012 £m	Company 2011 £m
Profit/(loss) for the year from continuing operations		67.4	(13.8)	(36.5)	(73.1)
Tax		32.6	2.3	(7.7)	(25.4)
Finance income		(16.9)	(18.0)	(38.5)	(40.1)
Finance costs		97.7	156.9	73.1	130.6
Share of post-tax profit from joint ventures		(0.5)	(0.1)	–	–
Share of post-tax loss from associates		0.1	–	–	–
Loss on re-measurement of joint venture interest on acquisition of control		10.7	–	–	–
Profit/(loss) from operations		191.1	127.3	(9.6)	(8.0)
Depreciation	12	1.6	1.8	0.5	0.5
Impairment of inventories – non exceptional	17	6.6	5.4	–	–
Impairment of available for sale financial assets	15	11.8	16.3	–	–
Share-based payments charge/(credit)	28	3.1	1.4	2.7	(0.1)
Imputed interest on deferred term land payables	5	(28.8)	(27.6)	–	–
Imputed interest on available for sale financial assets	5, 15	12.0	13.6	–	–
Amortisation of facility fees	5	(3.5)	(6.2)	(3.5)	(6.2)
Imputed interest on Kickstart equity funding	5	0.2	(0.9)	–	–
Write-off of previous facility unamortised fees	5	–	(8.1)	–	(8.1)
Finance income/(costs) related to employee benefits	5, 26	1.2	(0.9)	1.2	(0.9)
Total non-cash items		4.2	(5.2)	0.9	(14.8)
Decrease in inventories		71.7	72.1	–	–
Decrease in trade and other receivables		14.0	2.5	241.5	157.7
(Decrease)/increase in trade and other payables		(39.9)	23.2	(21.5)	(8.9)
Increase in available for sale financial assets		(35.0)	(46.7)	–	–
Total movements in working capital		10.8	51.1	220.0	148.8
Interest paid		(60.3)	(77.5)	(68.7)	(79.5)
Tax received		3.9	4.5	–	–
Net cash inflow from operating activities		149.7	100.2	142.6	46.5

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

31. Operating lease obligations

a) The Group as lessee

At 30 June 2012, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings £m	2012 Other £m	Land and buildings £m	Group 2011 Other £m
Within one year	11.0	5.0	10.9	4.5
More than one year and no later than five years	20.1	4.1	20.2	5.7
In five years or more	5.4	–	7.4	–
	36.5	9.1	38.5	10.2

Operating lease payments represent rentals payable by the Group for certain office properties and motor vehicles. Motor vehicle leases have an average term of 1.7 years (2011: 2.2 years) to expiry. Property leases have an average term of 1.9 years (2011: 2.1 years) to expiry.

At 30 June 2012, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings £m	2012 Other £m	Land and buildings £m	Company 2011 Other £m
Within one year	0.6	0.4	0.7	0.3
More than one year and no later than five years	2.0	0.3	2.0	0.4
In five years or more	0.1	–	0.4	–
	2.7	0.7	3.1	0.7

Operating lease payments represent rentals payable by the Company for certain office properties and motor vehicles. Motor vehicle leases have an average term of 1.5 years (2011: 2.2 years) to expiry. Property leases have an average term of 5.1 years (2011: 4.4 years) to expiry.

b) The Group as lessor

Property rental income earned during the year was £3.4m (2011: £4.1m).

The Group has lease agreements with third parties for certain commercial properties either in the process of development or which have been developed by the Group and units on land to be subsequently developed for residential use. It is intended that the commercial properties, with their future rental income, will be sold to third parties in the normal course of business and therefore they are classified as work in progress until the date of sale. At 30 June 2012, these properties had a carrying value of £14.4m (2011: £18.4m), and land with rental units had a carrying value of £5.6m (2011: £17.6m). At 30 June 2012, these rental agreements had an average term of 2.6 years (2011: 2.1 years) to expiry and total rental receivables over the remaining lease period are £6.9m (2011: £7.4m) with £2.2m (2011: £2.8m) within one year, £3.9m (2011: £3.8m) in more than one year and no later than five years and £0.8m (2011: £0.8m) in five years or more.

32. Acquisitions

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

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

	Provisional fair value 2012 £m
Net assets acquired	
Inventories	16.2
Trade and other receivables	0.7
Cash and cash equivalents	1.6
Trade and other payables	(2.5)
Deferred tax liabilities	(1.2)
Total consideration paid	14.8
Satisfied by	
Cash	–
Fair value of joint venture interest previously owned	14.8
	14.8
Net cash inflow arising on acquisition	
Cash consideration	–
Cash and cash equivalents	1.6
	1.6

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

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

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

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

33. Contingent liabilities

a) Contingent liabilities related to subsidiaries

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

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

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £424.8m (2011: £434.1m), and confirm that at the date of these financial statements the possibility of cash outflow is considered minimal and no provision is required.

b) Contingent liabilities related to joint ventures

At 30 June 2012, the Group has an obligation to repay £0.9m (2011: £0.9m) of grant monies received by a joint venture upon certain future disposals of land.

The Group also has a number of performance guarantees in respect of its joint ventures, requiring the Group to complete development agreement contractual obligations in the event that the joint ventures do not perform their obligations under the terms of the related contracts.

c) Contingent liabilities related to associates

During the year, the Group provided bank guarantees to the value of £2.8m (2011: £3.1m) to one of its associates.

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

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims, counterclaims and all other actions and no provision is made where the Directors consider, based on that advice, that the action, claim or counterclaim is unlikely to succeed, or a sufficiently reliable estimate of the potential obligations cannot be made.

i) Incident at Battersea Park Road, London

One of the principal subsidiaries within the Group is BDW Trading Limited ('BDW'). On 26 September 2006 at Battersea Park Road, London, a tower crane supplied to BDW (with operator) by a third party contractor collapsed. The collapse of the crane was not contained within the boundaries of the site and the crane operator and a member of the public were killed. In March 2012, a Jury came to a verdict that the deaths were accidental and issued a narrative with their verdict that made no criticism of BDW. There is an ongoing criminal investigation by the London Metropolitan Police and the Health and Safety Executive to ascertain whether any of the parties involved are criminally liable for manslaughter or under relevant health and safety legislation. Although no assurance can be given, the Board has been advised that on the information available as at 11 September 2012, being the last practicable date prior to the publication of the Annual Report and Accounts, the risk of a finding of criminal liability against BDW is low.

ii) Incident at Bedfont Azure Lakes

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

iii) Barratt American Incorporated

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

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

34. Related party transactions

a) Remuneration of key personnel

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

b) Transactions between the Company and its subsidiaries

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

The amount outstanding to the Company from subsidiary undertakings at 30 June 2012 totalled £556.4m (2011: £780.7m).

During the year ended 30 June 2012, the Company made management charges to subsidiaries of £33.9m (2011: £31.8m) and received net interest on Group loans from subsidiaries of £25.4m (2011: £28.8m).

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

c) Transactions between the Group and its joint ventures

The Group has entered into transactions with its joint ventures in respect of funding and development management services (with charges made based on the utilisation of these services). These transactions totalled £2.0m (2011: £2.4m) and £2.1m (2011: £0.3m). In addition, one of the Group's subsidiaries, BDW Trading Limited, contracts with a number of the Group's joint ventures to provide construction services.

The amount of outstanding loans and interest due to the Group from its joint ventures at 30 June 2012 is disclosed in note 13. The amount of other outstanding payables to the Group from its joint ventures at 30 June 2012 totalled £nil (2011: £nil). The Group provided bank guarantees to the value of £nil (2011: £nil) to its joint venture partners during the year.

d) Transactions between the Group and its associates

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

e) Property purchases by Directors of BDW Trading Limited

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

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

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

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

35. Post Balance Sheet Events

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

OTHER INFORMATION

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

Five-year record

	2012	2011	2010	2009	2008 (restated ¹)
Group revenue (£m)	2,323.4	2,035.4	2,035.2	2,285.2	3,554.7
Profit/(loss) before tax (£m)	100.0	(11.5)	(162.9)	(678.9)	137.3
Share capital and equity (£m)	2,973.8	2,930.1	2,900.2	2,331.6	2,867.8
Per ordinary share:					
Basic earnings/(loss) per share (pence ²)	7.0	(1.4)	(14.5)	(89.1)	16.4
Dividend paid (pence)	–	–	–	–	36.53

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

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

Financial calendar

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

Announcement

2012 Annual General Meeting and Interim Management Statement	14 November 2012
2012/13 Interim/half year results	February 2013
Interim Management Statement	May 2013
2012/13 Annual Results Announcement	September 2013

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UBS Investment Bank

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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 Titular Life President.



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