



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

- Total completions, including joint ventures, up 6.3% to 13,663 (2012: 12,857) for the full year
- Private average selling price up by 6.0% to £213,900 (2012: £201,800)
- Revenue up 12.2% to £2,606.2m (2012: £2,323.4m)
- Operating profit before operating exceptional items up 32.2% to £252.7m (2012: £191.1m)
- Operating margin before operating exceptional items increased to 10.4% (2012: 9.5%) in the second half and 9.7% (2012: 8.2%) for the full year
- Profit before tax and exceptional items up 73.7% to £192.3m (2012: £110.7m). After exceptional items of £87.5m (2012: £10.7m), profit before tax was £104.8m (2012: £100.0m)
- Significant reduction in net debt to £25.9m (2012: £167.7m)
- Good opportunities in the land market with 18,536 plots (2012: 12,085 plots) approved for purchase in the year

Revenue

£2,606.2m

(2012: £2,323.4m)

Operating profit before operating exceptional items

£252.7m

(2012: £191.1m)

Adjusted earnings per share before exceptional items

14.6p¹

(2012: 8.1p)

Net debt

£25.9m

(2012: £167.7m)

¹ Basic earnings per share 7.7p (2012: 7.0p).



VISIT OUR ONLINE REPORT AT:
www.annualreport.barrattdvelopments.co.uk

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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 83. 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 83 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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Five year record, financial calendar, Group advisers and Company information IBC

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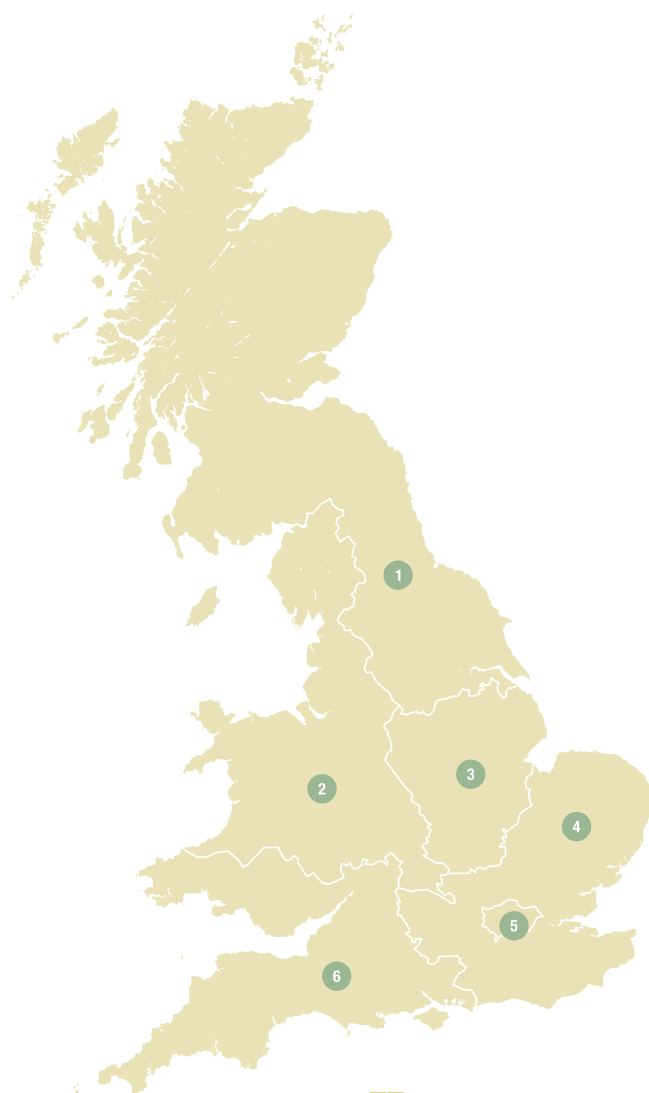
 For further information

 For further information see www.barrattdevelopments.co.uk

AT A GLANCE

About us

Barratt Developments PLC is one of the nation's largest housebuilders with over 5,000 employees and 27 divisions¹ throughout Britain. In the year, we sold 13,663 homes (including joint ventures)². 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.

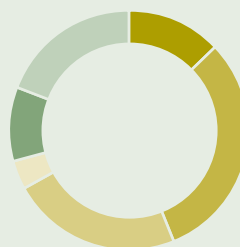


Also see Building new communities on pages 21-24.

OUR HOMES

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

2012/13 completions by unit type



	2013	2012
1 and 2 bedroom houses	13%	13%
3 bedroom houses	31%	31%
4 bedroom houses	23%	20%
5 and 6 bedroom houses	4%	4%
Flats (London)	10%	9%
Flats (non-London)	19%	23%

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.

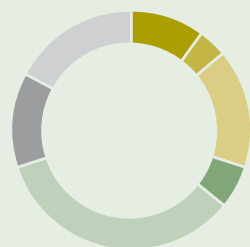


- 1 In the year ended 30 June 2013, we operated from 25 divisions. On 1 July 2013, we opened another division in Aberdeen. We are also in the process of opening a central London division, which will be fully operational in November 2013.
- 2 Total completions, including joint ventures, were 13,663 (2012: 12,857) for the year. Private completions for the year were 10,978 (2012: 9,832). Affordable completions for the year were 2,268 (2012: 2,805) and JV completions in which the Group had an interest were 417 (2012: 220). Unless otherwise stated, all numbers quoted exclude joint ventures.
- 3 Our South Wales division was included in our West region until 30 June 2013. From 1 July 2013 our South Wales division became part of our Central region.

OUR CUSTOMERS

Our customers include first-time buyers, families, investors and Registered Providers. 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.

2012/13 completions by deal type



	2013	2012
Equity share	10%	20%
Help to Buy	4%	–
Part-exchange	16%	15%
NewBuy	6%	1%
Other private	34%	33%
Investor	13%	9%
Affordable	17%	22%

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.

2012/13 completions by region

Completion by region	2013	2012	Increase %
1 Northern	2,410	2,326	4%
2 Central ³	2,377	2,153	10%
3 East	2,416	2,359	2%
4 Southern	2,052	2,103	(2%)
5 London	1,362	1,233	10%
6 West ³	2,629	2,463	7%
Total completions	13,246	12,637	5%
Joint ventures	417	220	90%
Total completions (including joint ventures)	13,663	12,857	6%

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 2012/13, we operated from an average of 381 (2012: 381) active sites and 6 (2012: 5) joint venture sites.

OUR DELIVERY

Our focus is on building profitability, maintaining an appropriate capital structure and improving our return on capital employed, whilst ensuring we maintain a sufficient land supply to meet the future needs of the business.

Operating profit before operating exceptional items

£252.7m

(2012: £191.1m)

Net debt

£25.9m

(2012: £167.7m)

Profit before tax and exceptional items

£192.3m

(2012: £110.7m)

Owned and controlled land bank years (based on 2012/13 volumes)

4.4 years

(2012: 4.1 years)

Profit before tax

£104.8m

(2012: £100.0m)



A brand new community of houses and apartments at Kingfisher Park in Buntingford, Hertfordshire.

OUR BUSINESS MODEL

The way we work

Our objectives are to build profitability, maintain an appropriate capital structure and to drive return on capital employed. These are underpinned by our business model of targeted land buying, delivering effective planning, designing outstanding homes supported by construction excellence and providing an industry leading customer experience.

INCREASING RETURNS

We aim to deliver increasing returns for our shareholders.

Operating profit*

£252.7m
up 32.2%

(2012: £191.1m)

*Excluding operating exceptional items

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 Land Committee approval.

Land purchases approved in 2013 of £1,047.3m equating to

18,536 plots



Clair Slater and Wayne Astie combined part-exchange and NewBuy to purchase a new home at Ecclestone Park, Chorley.

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 four years running.





Development of 211 units on the former site of the Old Police Station in Hertford.



Site plan of Derwenthorpe, York.

EFFECTIVE PLANNING

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

Percentage of plots required for our 2014 financial year completions with detailed planning consent

95%



Derwenthorpe, York is a new community of 2, 3, 4 and 5 bedroom homes.

OUTSTANDING DESIGN

We design homes and places where customers aspire to live.

The Group won its latest design awards in July 2013

'Completed Schemes' – Derwenthorpe
'Unbuilt Schemes' – Edgware Green

at the Housing Design Awards supported by the Department for Communities and Local Government, the Homes and Communities Agency, RIBA and others.



Six site managers from our North East division won NHBC 'Pride in the Job' Quality Awards.

CONSTRUCTION EXCELLENCE AND EFFICIENCY

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

NHBC 'Pride in the Job' Quality Awards 2013

102 won

We also offer an industry leading five year fixtures and fittings warranty.

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.

Dividend

2.5 pence

per share (2012: nil)

Stronger market conditions, coupled with the extensive improvements in our operational performance, have led to a significant improvement in the financial results and the outlook for the Group.

As a result we have made rapid progress towards our strategic objectives of enhancing profitability, reducing indebtedness to achieve a more appropriate capital structure and improving return on capital.

Profit before tax and exceptional items increased by 73.7% to £192.3m (2012: £110.7m) and operating margin improved to 9.7% (2012: 8.2%). Net debt has been reduced to £25.9m (2012: £167.7m) at the year end and the business has refinanced ahead of schedule.

At the same time, we are creating a platform for future growth by agreeing the purchase of a further £1 billion of high margin land during the year. Our improved sales rates meant that we finished the financial year with a much enhanced forward sales position.

AN IMPROVING MARKET

The fundamental drivers of the new homes market in the UK are consumer confidence and the availability of mortgage finance, particularly at higher loan to values. Confidence in the UK housing market has started to grow, particularly during our final quarter, against the backdrop of a more stable economic outlook.

Significant progress has been made on the availability of finance for customers and the mortgage providers' capacity to lend has slowly improved. This has been accelerated by a series of Government mortgage initiatives – FirstBuy, NewBuy and Help to Buy.

The NewBuy mortgage indemnity scheme launched in March 2012 (and coupled with the FirstBuy equity share scheme that launched in summer 2011) made 90-95% mortgages for new build properties more widely available at more competitive rates. Whilst we made good use of both of the schemes, we saw a step change in demand for new homes with the launch of the Help to Buy (Equity Loan) scheme in April 2013.

TACKLING THE SHORTAGE OF HOMES

Whilst there are signs that the market for new homes is improving and build rates are starting to respond, the shortage of homes of every tenure cannot be fully resolved in the short-

¹ Source: Department of Communities and Local Government, Welsh Assembly and Scottish Government.
² Source: Department of Communities and Local Government, 2012 completed dwellings.

term. It is conservatively estimated that as a nation to satisfy demand from household formation we should build around 260,000¹ homes per annum but we are building around 135,000². The social and economic consequences of this housing shortage are considerable.

We support the attempts of the Government to accelerate the supply of new homes by providing the ability to buy and also by addressing the longer term supply issues of land availability and planning.

Our land buying has accelerated and last year we agreed to acquire land for 18,536 homes (2012: 12,085 homes). Since 2009 we have agreed to invest £2.6 billion in new land which is being brought through planning and into production at the earliest opportunity. The land that we have secured is transforming the business. It will boost production and continue to drive our margin growth.

We have already increased our completion volumes by over 20% in the past two years and expect to deliver around 45,000 new homes over the next three years.

PURSuing QUALITY

For the last five years, the Group has focused on improving every aspect of its operational performance and during the year I have seen at first-hand the result of the changes we have made. We have developed a compelling business model which has at its core targeted land buying, effective planning, outstanding design and construction excellence, all backed by an industry leading customer experience.

The quality of our operations is improving year after year at every point of our process. Design, build quality and customer service are all areas where our performance continues to be strong.

I was particularly pleased to see the results of the NHBC 'Pride in the Job' Awards where our site managers secured more awards for quality workmanship than has ever been achieved by any housebuilder. We have now led the industry for nine consecutive years. We remain a 5 Star builder and we are the only national housebuilder to achieve that recognition for four consecutive years.

EMPLOYEES

All our employees have played their part in delivering significant operational improvements. The Board is grateful for their efforts and is

delighted that so many have bought shares in the Company and are benefitting from its success.

We are committed to investing in our workforce both to underpin quality and also to address the longer term skills issues that the industry faces as it increases output. The training we offer across a range of disciplines via our Barratt Academy and our graduate programme are now widely regarded as industry leading. We have launched a series of new initiatives including the recruitment of around 600 apprentices, graduates and paid interns over the next three years. We will also support 100 people through a unique Housebuilding Foundation Degree Programme delivered in partnership with Sheffield Hallam University.

THE BOARD

We have recruited Nina Bibby to the Board as a Non-Executive Director and she brings with her extensive consumer marketing experience from a range of sectors including financial services.

Bob Davies retired from the Board after nearly nine years. Rod MacEachrane has decided to retire from the Board at the 2013 Annual General Meeting after nearly eight years on the Board. Their wise counsel and contributions will be missed.

DIVIDEND

The Board recognises the importance of both capital growth and dividend income to our existing and potential shareholders. We are proposing to recommence dividend payments with a final dividend of 2.5 pence per share, which is covered around six times by adjusted basic earnings per share. The Board will adopt a progressive dividend policy as profitability grows, with the aim, for the year ending 30 June 2016, of achieving a target dividend cover of around three times.

THE FUTURE

Our strategy continues to deliver a significantly improved business performance. In a recovering housing market, we would expect to achieve our objectives for the business earlier than previously anticipated. Whilst maintaining our disciplined approach, we will use the outstanding capability of the organisation to deliver significantly improved performance by continuing to secure the right land opportunities and delivering the highest quality homes for our customers.

Bob Lawson
CHAIRMAN



Our development in Barnack, a couple of miles outside Stamford, built with materials adopting local character.

GROUP CHIEF EXECUTIVE'S REVIEW



Sustained delivery of our objectives and strong growth

Our objectives of building profitability, maintaining an appropriate capital structure and driving return on capital employed have delivered a rapidly improving performance across the Group.

SUMMARY

- Strong financial results for the year with a 32.2% increase in operating profit before exceptional items to £252.7m and reduction in net debt to £25.9m.
- We continue to focus on our three strategic objectives and are confident of further progress in the year ahead.
- Proven business model of targeted land buying, securing effective planning, outstanding design, construction excellence and an industry leading customer experience.

We have delivered a strong set of results and put in place the foundations for a further year of growth. We have a clear strategy that the business continues to implement in a disciplined way as the housing market starts to show signs of improvement.

In the year, we have increased revenues by 12.2%, our operating margin has increased by 150 basis points and our profit from operations before operating exceptional items has improved by 32.2%. We have reduced net debt by £141.8m to £25.9m (2012: £167.7m) at 30 June 2013.

This improved performance has been achieved against market conditions that were stable in the first three quarters of our financial year and showed signs of sustainable improvement in our final quarter. We have continued to focus on improving every aspect of our business model to ensure that we are in a good position to capitalise on future market growth.

We have accelerated our land acquisition, agreeing to purchase 18,536 plots (2012: 12,085 plots) during the year with a value of £1,047.3m (2012: £578.1m).

We are confident that we can make further progress in the year ahead.

IMPROVING PERFORMANCE

During the year, we have seen improvements in each key financial performance indicator.

Revenue for the year increased to £2,606.2m (2012: £2,323.4m) with completions (including joint ventures ('JVs')) increasing to 13,663 (2012: 12,857). Private completions were 10,978 (2012: 9,832) and affordable completions were 2,268 (2012: 2,805). The reduction in affordable completions is explained by the timing of new development site starts. We expect the long-term average mix of affordable units to be between 18% and 20%. JV completions in which the Group had an interest were 417 (2012: 220).

We have a geographical balance to our business. 17.7% of completions (including JVs) were in Scotland and northern England, 17.4% in the north west and west Midlands, 17.7% in eastern England and south Midlands, 11.6% in London, 16.4% in southern England and 19.2% in the south west.

Average net private reservations per active site per week improved by 11.5% from 0.52 last year to 0.58 this year. Average site numbers

for the year were stable at 381 (2012: 381). We also operated from an average of 6 (2012: 5) JV sites during the year.

Our sales performance in our second half was excellent, reaching 0.66 (2012: 0.56) average net private reservations per active site per week, up 17.9% on last year. We saw a particularly strong sales performance in the final quarter of the financial year following the announcement of the Help to Buy (Equity Loan) scheme.

We saw improvements in private reservation rates in all our regions of the country.

Our average selling price increased by 7.9% to £194,800 (2012: £180,500) for the full year. Private average selling prices for the year increased by 6.0% to £213,900 (2012: £201,800).

Profit from operations before operating exceptional items increased by 32.2% from £191.1m to £252.7m. We delivered a significant improvement in operating margin before operating exceptional items to 9.7% (2012: 8.2%) for the full year and to 10.4% (2012: 9.5%) in the second half.

Profit before tax and exceptional items increased by 73.7% to £192.3m (2012: £110.7m). In the year we reported exceptional items of £87.5m related to our refinancing, the monetisation of equity share loans and the impairment of a commercial JV (2012: £10.7m related to the acquisition of a former JV). After exceptional items, profit before tax was £104.8m (2012: £100.0m).

DELIVERING OUR OBJECTIVES

Our objectives are:

Maximising total shareholder return

1 Building profitability

2 Maintaining an appropriate capital structure

3 Driving return on capital employed



We plan to take on around 600 apprentices, graduates and paid interns over the next three years. Ondre Odain and Jack Davey joined Barratt as apprentices and are now trainee site managers on our developments in Peterborough and Corby.

DELIVERING OUR STRATEGIC OBJECTIVES

This improved performance has been achieved through our continued focus on building profitability and reducing indebtedness to achieve a more appropriate capital structure; we have made substantial progress on both. With the housing market now starting to improve, the Group is increasingly focused on improving return on capital employed ('ROCE').

Building profitability – acquiring land

The most important factor in the drive to build profitability is acquiring and bringing into production high margin land. In 2009, after a substantial fall in land prices, we started to re-invest in land.

Since re-entering the market we have agreed land purchases of £2,606.7m and in the year we approved £1,047.3m (2012: £578.1m), an increase of 81.2%. During the year total

cash expenditure on land was £677.5m (2012: £397.4m). The land that we have acquired more recently and brought into production is transforming the business – it continues to meet or exceed our hurdle rates of 20% gross margin and 25% ROCE¹. On completed sites acquired since 2009, we have achieved an average gross margin of 21%.

In the year, around half of our completions were from more recently acquired higher margin land. We continue to expect that around two thirds of completions will come from this higher margin land in the year to 30 June 2014. The proportion of impaired plots in the owned and controlled land bank fell to 7% (2012: 12%).

In addition, we have c. 11,400 acres (2012: c. 10,500 acres) of strategic land, which we actively manage to obtain the necessary planning consents. In the year, 2,557 plots (2012: 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.

We continue to seek to defer payment for new land where possible so as to drive a higher ROCE. Land creditors were 35% (2012: 35%) of the owned land bank at 30 June 2013.

Building profitability – optimising prices

An important part of our strategy has been to improve the quality of our homes in terms of location, design and construction quality. This in turn has helped to underpin our determination to secure a competitive advantage and to ensure that we get the right price for the outstanding homes we build.

The changing nature of the homes we build – more large family homes and fewer apartments outside London – led to an increase in the average private selling price. Larger family homes accounted for 27% of completions, up from 24% in the prior year. Private average selling price increased from £201,800 to £213,900 for the full year and in the second half increased year on year from £203,200 to £221,500 – an increase of 9.0%.

Overall prices during the period remained stable with some local variations and we continued to see strength in the London and south eastern market.

Building profitability – improving efficiency

Improving efficiency remains a priority for the Group. We continue to standardise the building of our homes, centralise procurement and share best practice. We regularly benchmark efficiency measures across divisions.

In the year, the majority of materials, including subcontractor materials, were centrally procured. This ensures consistent quality and costs across the Group as well as securing a supply chain for our 27 divisions.

All of our significant supply contracts are fixed in advance, usually for twelve months. During 2013 we saw some price increases in bricks, blocks and plastic plumbing. However, our overall price increase on centrally procured materials was less than 1%.

For FY14 we continue to put supplier agreements in place to ensure continuous availability of materials and overall we expect low single-digit cost increases. We will continue to work to ensure these increases are offset by further build efficiencies wherever we can.

Reducing indebtedness – to achieve a more appropriate capital structure

Our progress on reducing indebtedness has been significantly ahead of expectations with net debt as at 30 June 2013 reduced to £25.9m (2012: £167.7m). This reduction has been achieved whilst we have continued to invest in land and indeed increased the rate of new land approvals. The strong performance on indebtedness in the year was the result of our improved trading performance combined with strong control of working capital.

Now that we have largely achieved our target of zero year end net debt, we believe the appropriate capital structure for the Group is that land and long-term work in progress are funded by shareholders' funds and land creditors. The

use of land creditors drives a higher ROCE and we continue to expect land creditors to equate to around 35% of the owned land bank in current market conditions. The lending syndicate will fund short and medium-term work in progress.

Our improved financial position enabled the Company to agree a comprehensive refinancing package a year ahead of schedule, which provides us with more appropriate lending facilities in terms of both interest costs and duration.

Following our refinancing, we now have committed borrowing facilities of around £850m at attractive terms with maturities ranging from 2016 to 2021. We have repaid historic high cost private placement notes early and cancelled historic interest rate swaps. As a result the underlying average interest rate for the Group (excluding historic interest rate swaps) will fall to c. 4.5%.

The reduction of our indebtedness also reflects the monetisation of part of our equity share loan portfolio. This has been achieved by entering into a JV with a fund managed by Anchorage Capital and transferring equity share loans made between 1 January 2009 and 31 December 2011 to that JV. Anchorage has acquired a 50% interest in the JV for £33.7m.

Driving return on capital employed

The Group is focused on driving a significant increase in ROCE² and is targeting a ROCE of 18% for FY16. All land acquired since 2009 has required a minimum ROCE hurdle of 25%. On completed sites acquired since 2009, we have achieved an average ROCE of 39%. In the year ended 30 June 2013 the Group generated a ROCE of 11.5% (2012: 8.3%).

We operate a fast asset turn operating model and the capital employed on our newer sites is already around a third lower than on our older sites.

We are focused on cashing in our low returning assets. In addition to the part sale of the equity share loan portfolio, we received proceeds of £35.4m for the sale of low return land during the year and we are continuing to reduce our commercial assets by developing them out or selling those already completed.

“At the heart of our business model is targeted land buying, securing effective planning, outstanding design, construction excellence and an industry leading customer experience.”

1 Site ROCE on land acquisition is calculated as site operating profit (site trading profit less sales overheads less allocated administrative overheads) divided by average investment in site land, work in progress and equity share.

2 ROCE is calculated as earnings before interest, tax and operating exceptional items divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit obligations and derivative financial instruments.

Private average selling price

£213,900

(2012: £201,800)

Operating profit before operating
exceptional items

£252.7m

(2012: £191.1m)

Agreed land purchases

£1,047.3m

(2012: £578.1m)



We saw a 34.7% increase in net private reservations per week in the 13 weeks from the launch of Help to Buy to 30 June 2013. Alexandra and Andrew Robertson, along with their son Jude, were the first family in Yorkshire to take advantage of the Help to Buy Scheme.

A PROVEN BUSINESS MODEL

To deliver our objectives we have a strong business model and we are continuing to drive operational improvements in every aspect of our business. At the heart of our business model is targeted land buying, effective planning, outstanding design, construction excellence and an industry leading customer experience. This is supported by significant investment in the training and the quality of our workforce.

Targeted land buying

Our land purchase successes are based on the extensive local knowledge of our divisional teams and strong local relationships with land owners, combined with detailed assessments of local market conditions.

We have developed a series of target locations based on the availability of land, housing market conditions and the likelihood of obtaining planning. We see a good range of opportunities for investment in our targeted locations without undue concentration and without relaxing our 20% gross margin or 25% ROCE hurdle rates.

In the year as a whole we were successful in agreeing the acquisition of 18,536 plots (2012: 12,085 plots) of land, a 53.4% increase on the prior year. Our owned and controlled land bank now stands at 4.4 years (2012: 4.1 years) against a target of 4.5 years. We also have

6,174 plots (2012: 4,186 plots) of approved land and c. 11,400 acres (2012: c. 10,500 acres) of strategic land, equivalent to c. 59,800 plots (2012: c. 61,000 plots). At 30 June 2013, our JVs had an owned and controlled landbank of 2,006 plots (2012: 1,583 plots), of which 1,446 plots (2012: 1,208 plots) are in London.

A strong competitive advantage for the Group is our ability to source land from the public sector. We have a specialist unit, Barratt Partnerships, which together with local divisions won 23 sites covering 4,320 units with a gross development value ('GDV') of £1,023m during the year. These sites included Ladywell Village, Catford, Milford Hospital, Godalming and the remaining phases of Derwenthorpe in York.

During the year we were appointed to all of the retendered Development Partner Panels. It is likely that public sector land disposal will increase in importance as a target has been set by Government to release sufficient land to build 100,000 homes.

We believe that our proven track record in winning and delivering complex schemes on former public sector land continues to place the Group in a strong position to benefit from this source of land.

We are increasingly pro-active in the strategic land market and in the year we agreed option

and promotion agreements on 1,611 acres and 11,762 plots of strategic land. Our strategic land portfolio is expected to produce an increasing proportion of our operational land in future years.

Planning

An important part of bringing land into production is the planning process. We have seen some improvements in this area both as a result of changes in Government policy and operational improvements within our business.

Following the implementation of the Government's National Planning Policy Framework, there are stronger incentives for local authorities to put in place five year land supplies. That in turn is leading to an improved dialogue between local authorities and our divisions.

Consultation with local people is playing a more important part in the planning process. We have overhauled how we consult with local people and have implemented a new approach, which is aimed at engaging with all key stakeholders.

Nevertheless, the planning process remains a lengthy one, and on average it takes us around 70 weeks from agreeing to purchase the land to achieving full or outline planning consent. The length of the planning process



Computer generated image of Fulham Riverside, London where we have a joint venture partnership with L&Q.



Daracombe Gardens in Newton Abbot is a development of four and five bedroom homes in a woodland setting.



Fairway Copse, Brasted is a development of 14 individually designed homes.

will remain a restriction on the speed at which housing supply can increase.

During the year, we achieved planning on 14,964 plots (2012: 13,159 plots) and as at 30 June 2013 we had detailed planning consent for 95% of our expected FY14 completions and outline consent for a further 3%.

Design

We aim to design homes and places where people aspire to live. We are continuing to invest in our new product range and during the year, 27% of our private completions outside London were from our new ranges. The new product ranges offer improved external designs, with better use of space and more light internally.

We have continued to emphasise the importance of design in creating attractive places to live. We have used our own design code, Q17, extensively throughout the Group to ensure our developments, as well as the individual homes, incorporate best design practice. We are now introducing a new initiative, Great Places, to ensure that we build attractive, functional and sustainable places. It will incorporate the Design Council's Building for Life 12, the industry standard for well-designed neighbourhoods. All relevant staff, including the Executive Committee, will be trained in the Building for Life 12 principles.

This year, we won two prestigious Housing Design Awards; one for our plans for Evolution South in London and one for our Derwenthorpe site in York, developed in conjunction with the Joseph Rowntree Housing Trust.

Designing and building homes that meet the environmental challenges of the future remains a significant issue for the industry. This year, we have completed our AIMC4 project that aims to establish how best to meet higher environmental standards without the need for renewable technology. We have also made good progress at Hanham Hall, Bristol, one of the most environmentally advanced housing developments in the United Kingdom.

Construction excellence and efficiency

Quality of construction is a key priority for the Group. It underpins our brands and the attractiveness of our homes to potential buyers. This year our site managers won 102 NHBC 'Pride in the Job' Awards – the most awards a housebuilder has ever won and an industry leading performance for the ninth consecutive

year. We are continuing to invest in our people to ensure that this track record is maintained. We plan to take on around 600 apprentices, graduates and paid interns over the next three years with a clear career path for all of them. We will also support 100 people to follow a unique Housebuilding Foundation Degree Programme delivered in partnership with Sheffield Hallam University.

Our health and safety record continues to improve with our reportable injury incidence rate decreasing by 36% to 329 (2012: 511) per 100,000 persons employed. We are committed to seeking to reduce this year-on-year and we are working with our suppliers, partners and local communities to minimise the risk of injury on our sites.

Industry leading customer experience

Customer satisfaction remains at over 90% in terms of whether customers would recommend us to a friend and we achieved the highest HBF grading of 5 Star for the fourth consecutive year, a stronger track record than any other national housebuilder.

During the year, we upgraded our customer websites, our most important sales channel, to improve them and add additional functionality and content. We have also increased our investment in mobile marketing. We track the speed of response to leads from our websites and during the year we responded to 84% of web leads within 24 hours.

We continue to work with our customers to find the most appropriate support for them during the housebuying process. 14.0% (2012: 20.5%) used equity share products, 5.8% (2012: 0.5%) used the NewBuy scheme and 15.7% (2012: 15.1%) used our part-exchange scheme. Following the implementation of these schemes, the complexity of the sales process has increased. To address this we have also invested in a structured training programme for all 1,000 of our sales advisers and sales managers. New sales staff will be trained through our Barratt Academy programme.

We launched an in-house management service company for our London developments during the year – Barratt Residential Asset Management ('BRAM'). BRAM will manage the public areas of developments post-completion and ensure a high standard of upkeep and good value for money in terms of service charges. This unique service will provide us with a competitive

advantage in terms of service and value to buyers. We currently manage almost 1,500 properties through BRAM.

OUR EXPANDING LONDON BUSINESS

Our London business made significant progress during the year, with 1,362 completions compared with 1,233 in the prior year. In addition, we delivered 224 (2012: 59) JV completions. We are the only national housebuilder with a sizeable central London presence and we are now targeting delivery of 2,000 homes per annum in the medium-term from our London business.

Our ability to design, build and sell complex developments is providing the Group with a competitive advantage in this important market. During the year, excluding JVs, we agreed seven new sites which will result in 2,046 new homes for London and have a total GDV of over £820m.

Our London business has developed a number of strong joint venture partnerships over the last couple of years including those with L&Q, Metropolitan Housing, Morgan Stanley Real Estate Investing and British Land. These relationships have allowed us to maximise opportunities within London, whilst managing risk and the allocation of capital. Through increasing our outlets in central London we have increased customer awareness, raised our profile with land agents and seen increased access to land opportunities. Including JVs announced after the year end, these partnerships have sites with a GDV of over £2 billion, totalling around 4,800 units with an average selling price of c. £430,000.

At 30 June 2013, our London business had 4,864 (2012: 3,862) owned and controlled landbank plots, with an interest in a further 1,446 (2012: 1,208) plots within the owned and controlled landbank of our JVs.

CURRENT TRADING

In the first ten weeks of the current financial year, the sales performance across the Group has been very strong. Average net private reservations per active site per week have increased by 29.4% to 0.66 (FY13 equivalent period: 0.51) driven by the improved market and a pull forward of our autumn sales and marketing campaign. Help to Buy has been used in 29.0% of total reservations. Net pricing has firmed in the financial year to date as we have been able to reduce our sales incentives compared to the

same period last year by approximately 150 to 200 basis points.

As at 8 September 2013, total forward sales (excluding JVs) for the Group were up 59.5% at £1,231.3m (9 September 2012: £772.2m), equating to 6,676 plots (9 September 2012: 4,439 plots). Private forward sales as at 8 September 2013 increased by 44.4% to £880.4m (9 September 2012: £609.6m).

The gross margin in the forward order book has increased year-on-year by around 250 basis points primarily as a result of reservations on higher margin sites acquired since 2009, coupled with reduced sales incentives.

JV total forward sales at 8 September 2013 were £164.3m (9 September 2012: £43.4m), equating to 325 plots (9 September 2012: 163 plots). JV private forward sales were £156.3m (9 September 2012: £37.5m).

OUTLOOK

Current market conditions are very positive. We have seen a significant step-up in consumer demand and mortgage supply, enhanced by the introduction of the Government Help to Buy scheme.

The strength of current trading and our forward order book, coupled with the expected delivery of around two thirds of completions from higher margin land, gives us confidence of another substantial improvement in performance in FY14.

We are targeting total completions of c. 16,000 units (including JVs) from our current operating structure and, given continued strength in the market, believe this is achievable in the year to 30 June 2016. We continue to see a strong pipeline of land acquisitions that meet or exceed our hurdle rates with no assumption of future price inflation.

Our focus remains on building profitability, maintaining an appropriate capital structure and substantially improving our return on capital employed, with a target ROCE of 18% for the year ended 30 June 2016.

Mark Clare
GROUP CHIEF EXECUTIVE

OUR PROGRESS

Delivering our objectives

We are focused on maximising total shareholder return through building profitability, maintaining an appropriate capital structure and driving return on capital employed. Our targets and key performance indicators ('KPIs') for each of these areas and our progress against them is set out on these pages.

MAXIMISING TOTAL SHAREHOLDER RETURN:

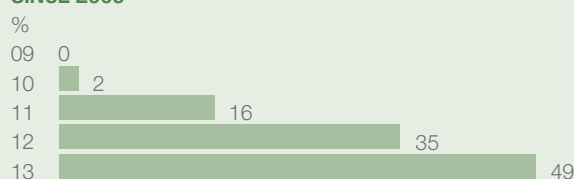
1 BUILDING PROFITABILITY

Target: Improving operating margin year on year

TARGETED LAND BUYING

Investing in land, which we expect to deliver attractive returns in the future. During the year, we have approved the purchase of £1,047.3m (2012: £578.1m) of land equating to 18,536 plots (2012: 12,085 plots). All new land acquisitions are required to achieve a minimum hurdle rate of 20% for gross margin. In the year, we delivered almost half (2012: 35%) of our completions from higher margin more recently acquired land.

PERCENTAGE OF COMPLETIONS FROM LAND ACQUIRED SINCE 2009

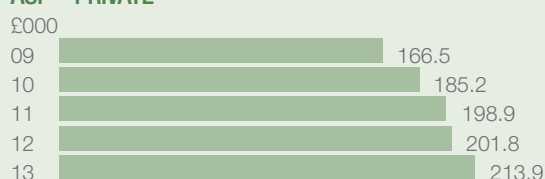


OPTIMISING PRICES

Seeking to achieve the best price for the quality homes that we build. The average private selling price of our homes was £213,900 (2012: £201,800), an increase of 6.0%.

Overall underlying prices remained stable with some improvement in London and the south east.

ASP – PRIVATE

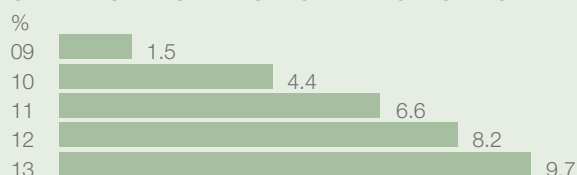


OPERATIONAL EFFICIENCY

Ensuring operational efficiency including standardising the building of our homes, centralised procurement and sharing best practice.

Profit from operations before operating exceptional items was £252.7m (2012: £191.1m), an increase of 32.2%. Operating margin on the same basis was 9.7% (2012: 8.2%).

OPERATING MARGIN BEFORE OPERATING EXCEPTIONAL ITEMS





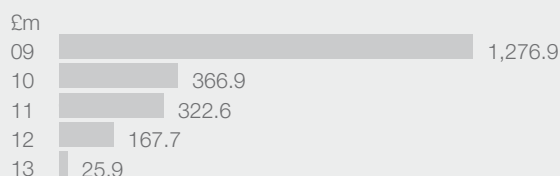
2 MAINTAINING AN APPROPRIATE CAPITAL STRUCTURE

Target: Minimal year end net debt and land creditors around 35% of the owned land bank

YEAR END NET 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 2013, was £25.9m, £141.8m lower than the prior year.

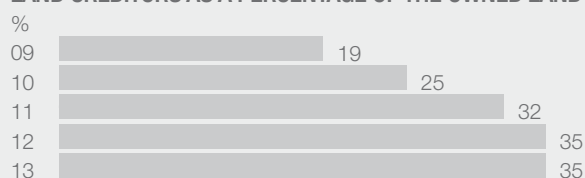
YEAR END NET DEBT



LAND CREDITORS

The appropriate capital structure for the Group is that land and long-term work in progress are funded by shareholders' funds and land creditors. The use of land creditors drives a higher ROCE. Land creditors were 35% (2012: 35%) of the owned land bank at 30 June 2013.

LAND CREDITORS AS A PERCENTAGE OF THE OWNED LAND BANK



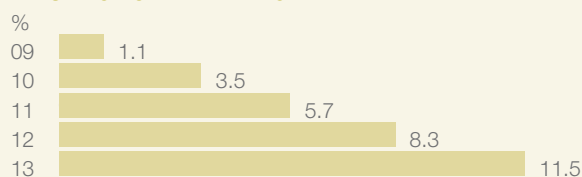
3 DRIVING RETURN ON CAPITAL EMPLOYED

Target: ROCE of 18% for the year ended 30 June 2016

RETURN ON CAPITAL EMPLOYED

We are focused on driving our return on capital employed ('ROCE'). All new land acquisitions are required to achieve site return on capital employed hurdle rate of at least 25%¹. Our ROCE for the year ended 30 June 2013 was 11.5% (2012: 8.3%).

RETURN ON CAPITAL EMPLOYED²



¹ Site ROCE on land acquisition is calculated as site operating profit (site trading profit less sales overheads less allocated administrative overheads) divided by average investment in site land, work in progress and equity share.

² ROCE is calculated as earnings before interest, tax and operating exceptional items divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit obligations and derivative financial instruments.

OUR PROGRESS

Delivering our sustainability objectives

PHILOSOPHY

PARTNER



Sustaining a network of local, regional and national partners and stakeholders built on trust, loyalty and respect

CUSTOMER



Understanding and delighting our customers throughout their journey with us, creating customers for life

PEOPLE



Attracting and retaining the best people and providing an inspirational environment that encourages them to fulfil their potential

PLANET



Respecting today's environment whilst creating tomorrow's communities

HEALTH & SAFETY



We are committed to ensuring high standards of health, safety and welfare of our workforce and the public at all times

- 1 Landscaped gardens at Windmill Place, Thame, providing a new town square to the joint venture development of 99 homes.
- 2 Brian and Marie Clough used part-exchange to move into their new home at Consett, County Durham.
- 3 Long serving staff at our North Scotland division have clocked up 1,000 years' service between them.
- 4 Rydon Place is a contemporary Code Level 3 development of 249 homes in Exeter, Devon.
- 5 Richard and Kirsty Burkill purchased their new home at Kings Court, Lincoln with NewBuy.

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

PROGRESS

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. During the year, affordable housing accounted for 17.1% (2012: 22.2%) of completions (excluding JVs).

We work with: Government agencies and private landowners to identify and bring forward land for development; suppliers upon the introduction of new technologies; and subcontractors to help them improve their environmental and safety performance.

We engage in dialogue with local people and local authorities regarding our developments.

We are committed to building quality homes and we seek to ensure that our customers are satisfied with their new home.

We have achieved the maximum 5 Star rating for customer satisfaction awarded by the Home Builders Federation ('HBF') for a fourth consecutive year. This shows that over 90% of our customers questioned would 'Recommend us to a Friend'.

We offer a five year warranty which covers fixtures and fittings and is additional to the ten year National House-Building Council ('NHBC') warranty.



During the year, we employed an average of 4,781 people (2012: 4,451 people). Despite high demand in some regions, employee turnover has remained broadly stable at 13% (2012: 12%). Many of our employees have benefitted from our wide ranging training and development programmes.

Our apprenticeship and graduate development programmes have won a number of awards including first in Construction and Property and ninth overall in Job Crowd's Top 100 Companies for Graduates to Work For, and second in the Best Apprenticeship Programme and third in the Graduate Employer of the Year at the National Graduate Recruitment Awards.

The expertise of our construction teams has been recognised by the NHBC with a record-breaking 102 of our site managers (2012: 76) winning 'Pride in the Job' awards.

We seek to manage environmental risks throughout our business. We are committed to improving the carbon performance of our homes. In 2013, 32% (2012: 26%) of the homes that we built had enhanced energy efficiency as a result of fabric improvements and we had integrated renewables on 28% (2012: 30%) of our developments.

We are focused upon waste management and during the year we reduced our construction waste per legal completion to 6.25 tonnes (2012: 6.47 tonnes). We also segregated 95% (2012: 96%) of waste on-site for recycling.

In 2013, we built 4,227 (2012: 3,820) homes that meet Code Level 3 or above and 849 (2012: 1,150) that met the previous EcoHomes Standard. 66% (2012: 65%) of our completions were built on brownfield land.

We seek to manage health and safety risks throughout our business.

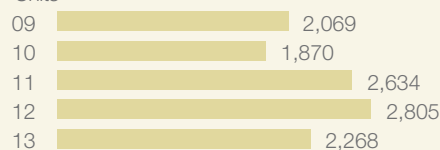
Health and safety is of paramount importance for our employees, customers and the public. Our health and safety teams carried out 5,437 monitoring visits in the year and achieved an average compliance rate of 97% (2012: 96%).

During the year, we further reduced our Injury Incidence Rate to 329 (2012: 511) per 100,000 employees.

KEY PERFORMANCE INDICATOR

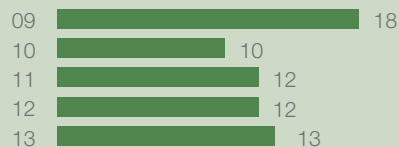
AFFORDABLE COMPLETIONS

Units



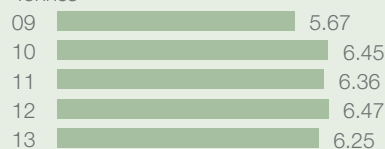
STAFF TURNOVER

%



CONSTRUCTION WASTE PER LEGAL COMPLETION

Tonnes



INJURY INCIDENCE RATE

Per 100,000 persons employed



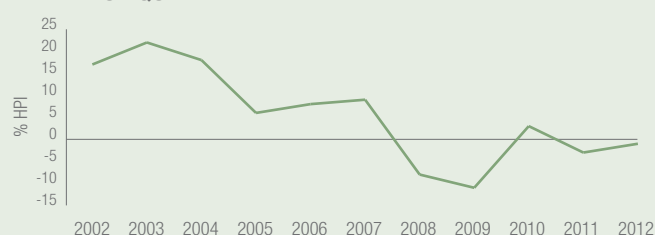
BUSINESS REVIEW

“We continue to deliver against our objectives of building profitability, maintaining an appropriate capital structure and driving return on capital employed.”

SUMMARY

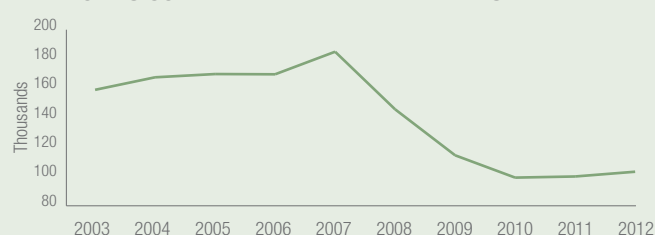
- The UK housing market remained relatively stable during our first three quarters and showed material signs of improvement during our final quarter.
- We improved operating margin by 1.5%, profit before tax before exceptional items by 73.7% to £192.3m and reduced net debt to £25.9m.
- We work with many partners to design and build high quality homes that meet the needs of our customers and their communities.

HALIFAX UK QUARTERLY HPI



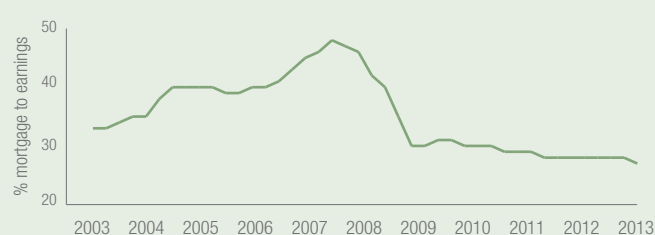
Source: Halifax UK quarterly house price index, Lloyds Banking Group

NEW HOMES COMPLETED – PRIVATE ENTERPRISE



Source: Department for Communities and Local Government Table 212 House building: permanent dwellings started and completed, by tenure, Great Britain (quarterly)

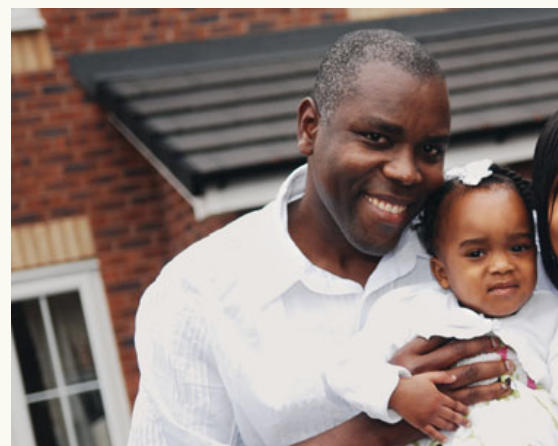
MORTGAGE TO EARNINGS RATIO



Source: Halifax quarterly mortgage affordability, Lloyds Banking Group



De Lacy Fields, Chesterton, a development of 3, 4 and 5 bedroom homes using local stone render.



Dennis and Sophia Clarke and their daughter Dennia moved into Zest, Keresley, using FirstBuy.

UK HOUSING MARKET

The UK housing market remained relatively stable during the first nine months of our financial year and showed material signs of improvement during our final quarter.

We have seen an increase in the availability of higher loan to value mortgages and increasingly competitive mortgage rates, largely resulting from the Bank of England's Funding for Lending Scheme.

Government support for the UK housebuilding industry has remained strong with a number of initiatives in place designed to support house purchases and stimulate economic growth. Housing formed a prominent part of the March 2013 Budget with a range of new measures announced, in particular, to improve the supply of mortgage finance. In April 2013, Help to Buy (Equity Loan) was launched, the Government only equity share product available on new build. Since then, we have seen a significant



Reflections, a contemporary development of 184 homes in Plymouth.

step-up in levels of consumer interest and a strengthening of sales rates.

The Government is also putting in place longer term reforms to the planning system designed to increase the supply of new homes.

In 2012, the number of private industry housing completions has increased to 103,220 (2011: 99,980) according to the Department for Communities and Local Government. In the year ended 30 June 2013, according to the Bank of England, the total number of mortgage approvals for home purchases was 638,174 (2012: 617,676).

OUR PERFORMANCE

We continue to deliver against our objectives of increasing profitability, maintaining an appropriate capital structure and driving return on capital employed ('ROCE').

We delivered an increase in profit from operations before operating exceptional items by 32.2%

to £252.7m (2012: £191.1m) at a margin of 9.7% (2012: 8.2%). This increase was mainly driven by an increasing proportion of sales from more recently acquired higher margin land and cost control. After operating exceptional items of £2.8m (2012: £nil), our profit from operations was £249.9m (2012: £191.1m).

Profit before tax and exceptional items increased by 73.7% to £192.3m (2012: £110.7m). After exceptional items of £87.5m primarily related to our refinancing (2012: £10.7m related to the acquisition of a joint venture), our profit before tax was £104.8m (2012: £100.0m). Our basic earnings per share were 7.7p (2012: 7.0p).

Our net debt as at 30 June 2013 was significantly reduced to £25.9m (30 June 2012: £167.7m).

Housebuilding

Our housebuilding business has traded well throughout the year. Net private

Revenue

£2,606.2m

(2012: £2,323.4m)

Profit from operations
before operating exceptional items

£252.7m

(2012: £191.1m)

Net debt

£25.9m

(2012: £167.7m)



Berry Edge, Consett, County Durham was one of our first developments to feature homes from the new Barratt County Range.



Carly and Dan Pask purchased their new home using NewBuy in conjunction with our Movemaker Scheme.



Energy efficient 4 bedroom showhome at Hanham Hall, Bristol, a unique development set in 12 acres of open space.

reservations per active site per week were up 11.5% in the year to 0.58 (2012: 0.52). Following the launch of the Government's Help to Buy (Equity Loan) scheme in April 2013, net private reservations per active site per week were up 34.7% in the quarter ending 30 June 2013 to 0.66 (2012: 0.49).

The improvement in our sales rates reflects strengthening market conditions but also the combination of our carefully selected locations, improved house design and development layout and the investment we have made in our industry leading sales and marketing capability. We are seeing particularly good momentum in our London business which continues to strengthen our position as one of the leading housebuilders in the capital.

We have averaged 381 (2012: 381) active sites during the year.

Total completions for the year were 13,663 units (2012: 12,857 units) including 417 JV units (2012: 220 JV units) in which we have an interest. Private completions were up 11.7% on the prior year at 10,978 units (2012: 9,832 units). Affordable housing completions totalled 2,268 units (2012: 2,805 units) representing 17.1% (2012: 22.2%) of completions, with the decrease reflecting the timing of site starts on new developments.

Private average selling price ('ASP') on completions in the year was up by 6.0% on the prior year to £213,900 (2012: £201,800). Overall, we have seen underlying prices remain stable with some improvement in London and the south east. Our total ASP was up by 7.9% on the prior year, increasing to £194,800 (2012: £180,500).

As a result of the increase in completions and total ASP, housebuilding revenues for the year increased by £305.8m to £2,592.6m (2012: £2,286.8m).

During the year, we used a number of different sales schemes in order to assist customers in purchasing their new homes including both our own and Government-backed schemes. Although the availability of mortgage finance improved during the year, equity share products remained an important sales tool as the availability of mortgage finance at higher loan to value ('LTV') ratios remained constrained. 14.0% (2012: 20.5%) of our completions used equity share products and of these completions, 28.8% used the Help to Buy (Equity Loan)

scheme that was launched on 1 April 2013, 58.3% (2012: 65.5%) used other Government-backed initiatives and the remainder used our own equity share schemes.

Our part-exchange offer is an important part of our customer appeal, supporting 15.7% (2012: 15.1%) of our completions in the year. We continue to carefully manage our commitment and exposure to part-exchange stock which stood at £79.0m (2012: £80.2m) at 30 June 2013.

We have continued to drive operational efficiencies through good 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 whilst continuing to maintain our very high build standards. We will also continue to target additional cost reductions and efficiency savings by further standardisation of our specifications.

The implementation of our strategy has delivered a significant improvement in our housebuilding operating margin before operating exceptional items to 9.7% (2012: 8.3%) for the full year, equating to a profit from operations before operating exceptional items of £252.7m (2012: £189.6m). After operating exceptional items of £2.8m (2012: £nil), the housebuilding profit from operations was £249.9m (2012: £189.6m).

Commercial developments

The commercial property market outside London remains 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 was satisfactory.

Our commercial development revenue was £13.6m (2012: £36.6m) with a break-even operating position (2012: profit of £1.5m). We completed a profitable land sale, a 30,000 square feet office extension in Nottingham and delivered 148,600 square feet of stock property disposals. We also continue to progress our town centre redevelopment schemes.

Joint ventures

Development on our joint venture ('JV') sites is progressing well, with marketing suites opened during the year at our Altitude and Queensland

Terrace developments in central London and the overseas marketing programme launched for Fulham Riverside. During the year JV sales active sites averaged 6 (2012: 5) with total JV completions of 417 units (2012: 220 units) and housebuilding JV profits of £7.8m (2012: £0.8m).

We expect completions and profits from JVs to increase significantly over the next couple of years, reflecting their construction and delivery profile. Our success in securing JVs in London has increased our presence and has strengthened our market position. We will continue to assess JV opportunities which allow us either to access sites that may not otherwise be available, or to reduce the investment required and improve the profitability and ROCE through construction management or marketing fees.

At 30 June 2013, the Group reviewed the value of its share of the inventories included within its JV investments. This resulted in an exceptional impairment charge of £5.4m being recognised related to a commercial JV, resulting in a loss of £5.5m (2012: £0.3m) on commercial JVs for the year.

BUILDING NEW COMMUNITIES

We build homes that meet the needs of our customers and the communities of which they are part. We operate across a broad spectrum of the market, creating homes for sale, shared ownership and affordable rental properties. We work with Government agencies and housing associations on a diverse range of urban regeneration schemes. Private selling prices during the financial year ranged from £52,500 to £1,735,000, with a private average selling price for the year of £213,900 (2012: £201,800).

Delivering land for development

Higher margin, more recently acquired land continues to be brought into production. We delivered almost half of our completions in the

Total completions (including JVs)

13,663

(2012: 12,857)

Private average selling price

£213,900

(2012: £201,800)

Housebuilding operating margin before operating exceptional items

9.7%

(2012: 8.3%)

year from this land and expect this to increase to around two thirds in FY14, c. 83% in FY15 and c. 90% in FY16. This land continues to deliver in line with or ahead of our required hurdle rates on acquisition, which include a gross margin of at least 20% and a ROCE of at least 25%. As at 30 June 2013, more recently acquired land represented 73% (2012: 57%) of the owned and controlled land bank.

We continue to reduce our historic land holdings and delivered 18% of completions in the year from impaired land. This has reduced the proportion of impaired plots in the owned and controlled land bank as at 30 June 2013 to 7% (30 June 2012: 12%). Where appropriate, we will also accelerate the utilisation of impaired land through land sales or swaps. In the year we realised £35.4m (2012: £39.0m) of proceeds from land sales.

During the year we have agreed the purchase of £1,047.3m (2012: £578.1m) of land equating to 18,536 plots (2012: 12,085 plots) on 145

“The improvement in our sales rates reflects strengthening market conditions but also the combination of our carefully selected locations, improved house design and development layout and the investment we have made in sales and marketing.”

sites (2012: 105 sites). Our focus remains both on ensuring we have the land supply necessary to support business growth over the next few years and delivering it in a way that maximises ROCE. We continue to see attractive land opportunities in prime locations across all regions. In particular, we have had good momentum in the London land market, with a total of 1,918 London plots agreed for purchase in the year including Ladywell Village, Catford, Cannon Wharf, Surrey Quays and Blackfriars Road, Southwark.

Cash expenditure on land in the year was £677.5m (2012: £397.4m).

We continue to seek to defer payment for new land where possible to drive a higher ROCE. Land creditors as at 30 June 2013 were £744.4m (30 June 2012: £726.1m) representing 35% (30 June 2012: 35%) of the owned land bank. The year-on-year increase in land creditors reflects the significant proportion of newly acquired land that has been acquired on deferred terms. Land creditors due within the next 12 months total £370.7m (30 June 2012: £368.1m), with £373.7m (30 June 2012: £358.0m) due thereafter. In the medium-term we expect land creditors to remain a fairly constant

OUR LAND BANK

	2013 Plots	2012 Plots
Owned and unconditional plots	44,516	43,897
Conditionally contracted plots	13,138	10,312
Owned and controlled land bank	57,654	54,209
Number of years' supply based upon FY13 completion volumes	4.4 years	4.1 years
Approved plots	6,174	4,186
Acres of strategic land	c. 11,400	c. 10,500
Potential delivery from strategic land plots	c. 59,800	c. 61,000

LAND PURCHASES AGREED

	Year ended 30 June 2013	Year ended 30 June 2012
Total	£1,047.3m	£578.1m
Total number of plots	18,536	12,085
Location		
– South : North (by value)	61% : 39%	58% : 42%
– South : North (by plots)	51% : 49%	46% : 54%
Vendor		
– Government : Private (by plots)	24% : 76%	28% : 72%
Type		
– Houses : Flats (by plots)	74% : 26%	86% : 14%

CASE STUDY

Barratt London – Maple Quays

Barratt London's Maple Quays development is an essential part of the wider Canada Water Masterplan and has regenerated this key area at the heart of the Rotherhithe Peninsula.

Located adjacent to Canada Water station with excellent transport links to Canary Wharf and the City, the scheme delivers 900 mixed-tenure apartments, 28,500 sq. ft. of retail and community facilities and £9.5m of community and public realm benefits. A new public plaza creates a central focal space for residents, incorporating a striking new public library designed by architects CZWG which was opened in November 2011.

A key part of the scheme is the provision of high-quality amenity space for residents as well as an excellent transformation of the public realm. The

development delivers a new children's playground, new cycle routes and establishes new connections in an area that was characterised by dead ends; opening up the area along with a series of linked waterways creating a new canal-side community. Communal roof terraces and courtyards with water features act as a tranquil focal point for residents to enjoy.

Using a range of architects including Maccleanor Lavington, PKS Architects, Glenn Howells and Hawkins Brown, Maple Quays was delivered in distinct phases creating an exemplary living environment with the size of homes and amenity space provision in excess of the residential standards required by the Council. The buildings range from four to eight-storeys culminating in a 27 storey tower – Ontario Point – with a communal roof terrace boasting panoramic views of London and creating an iconic gateway for Canada Water.

Committed to building a sustainable development, Maple Quays has been designed to meet Lifetime Homes Standards and achieves Level Four of the Code for Sustainable Homes. Sustainable construction methods include biomass CHP, storm water attenuation, extensive secure cycle provision for residents and biodiversity landscaping (roof gardens, brown/green roofs). In addition, sheltered cycle parking for commuters in close proximity to Canada Water station is provided on site.

- 1 View from Ontario Point, Maple Quays, Canada Water.
- 2 Communal courtyard at Maple Quays, Canada Water.
- 3 Ontario Point, a 27 storey tower at Maple Quays, Canada Water.



Land bank

£2,127.0m

(2012: £2,077.3m)

Land purchases approved

£1,047.3m

(2012: £578.1m)

Detailed planning consent
for expected FY14 completions

95%

“We remain focused on ensuring we have the land supply necessary to support business growth and delivering it in a way that maximises return on capital.”

proportion of the land bank; however, this is dependent upon the timing of planning consents and land contracts.

At 30 June 2013, our land bank had a carrying value of £2,127.0m (2012: £2,077.3m) with an average housebuilding cost per plot of £45,000 (2012: £45,000). The average selling price of the plots within our owned land bank is currently expected to be c. £197,000 giving an average plot cost to average selling price ratio of 23% (2012: 24%).

Planning

We have started to see a positive effect of the new planning regime, particularly the need for local authorities to demonstrate a five year land supply. Combined with our focus on improving design and engagement with the communities in which we work, this has improved the level of dialogue with the local authorities.

The Government remains committed to accelerating the disposal of public land as part of its housing strategy. We have a strong track record of securing public land and we are pleased to have been appointed to all four of the retendered Homes and Communities Agency Delivery Partner Panels as well as to the Greater London Authority London Development Panel. In the year, we have had offers accepted on public land equating to 4,320 plots with a total gross development value of £1,023m.

At 30 June 2013 we have detailed planning consent for 95% of our expected FY14 completions and outline consent on a further 3%.

Working in partnership

We recognise that, whether acting as sole developer, JV 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 to introduce the new technologies that we need to meet increasingly challenging building standards, and with our subcontractors to help them to improve their environmental and safety performance.

We engage with local communities and local authorities in order to seek to address any impact that our developments may have on the environment, and we respond to community aspirations by creating new jobs, training 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.

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 where we are working closely with the Homes and Communities Agency ('HCA'), local authorities and housing associations. We are working with the HCA to redevelop former collieries into popular new communities at Elba Park near Sunderland and Heritage Park, Silverdale. Bluebell, Nuneaton is replacing an old council estate with 800 new homes in partnership with Nuneaton and Bedworth Council. At Derwenthorpe on the outskirts of York we are building an outstanding new sustainable community of around 540 homes along garden village principles in partnership with the Joseph Rowntree Housing Trust.

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.

Our new product range

We have carefully considered customer preferences in the development of the Barratt and David Wilson product ranges. Both brands were updated in 2010/11 with internal layouts designed with modern living in mind, providing free-flowing living areas and natural light. The new designs have been well received by customers and we continue to roll out both new ranges.

Customer feedback indicates that Barratt homes offer customers 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 designed with more

- 1 School children at The Gateway, Pickering.
- 2 The Gateway, Pickering a development of 96 high quality 2, 3, 4 and 5 bedroom homes.

generous dimensions that deliver an overall sense of space. The designs include features such as higher specification kitchens, en-suite bathrooms with larger baths and the use of multiple roof lights in bedrooms.

Communicating with our customers

Our sales and marketing team has continued to promote our brands throughout the year using focused marketing campaigns. This included the use of the internet, radio and direct mail.

We recognise that the online market continues to change at a rapid pace. During the last year we have further enhanced the design and content of our websites, including those compatible with smartphones and tablets, to ensure a customer's first enquiry delivers all of the information they require. We have also continued to enhance our online user experience and quality of content through greater use of e-brochures, video, 360 degree tours and imagery of planned developments and house types, in addition to helpful 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.

We continue to offer our customers support through targeted incentives and discounts as well as tools such as part-exchange.

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 Government schemes, such as Help to Buy, FirstBuy and NewBuy.

“We have started to see a positive effect from the new planning regime and an improved level of dialogue with local authorities.”



CASE STUDY

Community engagement

The Gateway development is in the beautiful and popular market town of Pickering, North Yorkshire. It is situated on the very northern edge of the settlement where landscape sensitivities exist with the area adjoining the North Yorkshire Moors National Park, famous for its bleak, romantic landscape and forever associated with the hit TV series Heartbeat.

The land was secured under option as part of the strategic portfolio and with the vast majority of development in Pickering likely to be concentrated to the south of the settlement, it was clear that to win hearts and minds, public consultation should be at the core of the project from the outset. Consequently, exhibitions adopting a 'blank canvas' approach were held providing locals with the opportunity to graphically present their ideas to the team. Schools were also seen as integral to this process recognising that the proposed community park would extensively be used by the younger population. Special assemblies were hosted to educate not only the children on the plans, but also to broaden our views and those of the Planners and Councillors in terms of activities that the children wished to see within this new public realm. All of this work preceded the submission of the planning application such that once the formal process was underway, many supporters had been identified and in turn they recognised the lengths to which the team had gone to ensure that the proposals had been listened to and provided within the scheme wherever possible.

Following the granting of full planning consent, the liaison with local groups continued through the construction phase building upon relationships already established and consequently the entire process was recognised in the Housebuilder Awards 2012 where the Yorkshire East Division picked up 'The Best Community Initiative Award'. The scheme itself incorporates 96 high quality 2, 3, 4 and 5 bedroom houses from terraced to detached properties including an element of affordable housing, all of which stands immediately adjacent to the new Community Park for the residents of Pickering to enjoy. The overall success of the scheme soon became apparent with sales on the site exceeding the most optimistic of expectations.

All our divisions and the mortgage brokers we recommend 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.

Customer satisfaction

Our high quality homes have been accredited independently for the fourth year running with 5 Star builder status in the Home Builders Federation ('HBF')/National House-Building Council ('NHBC') 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'.

Customer satisfaction with the quality of their new home is extremely important to us. We have therefore recently implemented a requirement that every new home we build is inspected prior to completion by a divisional director to ensure that our high standards of quality are met. In order to drive performance and to enable us to improve customer satisfaction, we have invested in bespoke survey questions and increased management reporting which we are using throughout our business.

Five year warranty

We are the only volume housebuilder to offer a five year warranty which covers fixtures and fittings and is additional to the ten year NHBC warranty on the fabric of the building. This provides a real point of difference compared to our competitors and gives our customers increased confidence in our product.

INVESTING FOR THE FUTURE

The nature of our industry continues to change and we are investing to equip our organisation to meet these challenges. It is the skills of our people that will underpin the capability of the Group to adapt to the future.

People

One of our key strengths is our people and we continue to invest in them and develop their expertise. During the year ended 30 June 2013, we employed an average of 4,781 people (2012: 4,451 people). We value the experience of our employees and 4% of our workforce has over 20 years' service. Despite high competition amongst employers in some regions, employee

“We are committed to offering good value, well-designed homes. Over 90% of our customers questioned would 'Recommend us to a Friend'.”



CASE STUDY

Digital on the move

In the past year we have seen a large increase in customers accessing our online marketing content from their mobile devices, such as mobile phones and tablets. As a result, we have increased our investment in mobile marketing to meet this growing demand. By making use of this marketing channel, customers are now able to find the information they need quickly and easily using their mobile phone. This in turn has increased the number of enquiries from potential customers and therefore ultimately helped to increase sales.

We have partnered closely with a specialist mobile consultancy to create an easy-to-use mobile experience that utilises 'geo-location' based services. This allows customers to search for new homes by manually typing in the name of a desired location, or, customers can carry out an automatic search based on where they are located at the time, using their phone's in-built technology.

The mobile experience provides a range of rich content that is also offered on the main website, but the content is adapted to suit a smaller screen and the different mind-set of a customer when viewing content on their mobile phone. Our research has shown that our customers do not want to spend time viewing detailed property content on their mobile device; rather, they want to carry out specific tasks such as finding a development near a location, or seeing the latest prices or information on moving schemes.

We have also seen a dramatic rise in tablet usage and have delivered an experience tailored to the size of a tablet screen – customers using smaller tablets will see the mobile site which is designed for a smaller screen, whereas customers using larger tablets will see the main desktop website and be able to use all of the advanced features and content which have been designed with larger tablets in mind, allowing customers to browse the site using touch screen features such as swipe to scroll, and pinch to zoom.

Furthermore, we ensure that all of our emails to customers are optimised for viewing on mobile phones, as research shows that 70% of consumers delete emails immediately that don't fit well on the screen of their mobile device and 18% unsubscribe. We continually monitor the effectiveness of our email marketing so that we can update email templates to provide the best experience for our customers.

Our online search campaigns have been adapted to fit mobile devices through specific advertising copy and bid strategies based on users within the vicinity of developments. This has helped to create efficiency and reduce the costs per click. Our search engine optimisation activity focuses on content production, localised search queries and of course mobile so users who are situated in close proximity to a Barratt/DWH development are now much more likely to be served a Barratt/DWH search result. This is generating an increasing volume of traffic to our mobile marketing content.

We have also spent the last twelve months investing in our point of sale technology solution, ensuring that we are able to meet our ever increasing customer demands. To ensure that customer enquiries are fed through to our sales advisers on-site as soon as possible we have invested in new back office servers.

Across the majority of our developments we have installed new 'all-in-one' PCs with built in touch screen 23" monitors, wireless colour printers and 3G routers. Our sales advisers now have an improved technological solution to deliver an outstanding customer experience demanded of a 5 Star builder.

turnover has only slightly increased to 13% (2012: 12%). We are committed to providing equal opportunities for all. At 30 June 2013, 22% (2012: 9%) of the Board, 11% (2012: 11%) of our senior managers and 33% (2012: 34%) of our employees were female.

We offer both vocational and leadership training programmes, as well as in-house schemes promoting employee development, engagement and recognition.

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

During the year, we have also invested in a structured training programme for all 1,000 of our sales advisers and sales managers. New sales staff will be trained through our Barratt Academy programme.

We are also undertaking a number of initiatives which seek to rebuild the skills base of the industry. Over the next three years we intend to recruit around 150 graduates, 30 paid interns, around 400 apprentices, and support 100 people through a unique Housebuilding Foundation Degree Programme delivered in partnership with Sheffield Hallam University.

Our apprenticeship scheme comprises both trade and technical apprenticeships. Apprenticeships last for a minimum of two years and at 30 June 2013 the Group had 141 apprentices. We were delighted that our apprenticeship scheme came second in the Best Apprentice Programme at the National Graduate Recruitment Awards and that we were recognised in the Top 100 Apprenticeships Employers list compiled by the National Apprenticeship Service in partnership with City & Guilds.

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. Our graduate development programme has won a number of awards. We were first in the Construction and Property category in Job Crowd's Top 100 Companies for Graduates to Work For, and ninth overall. We were also delighted to win the Best Training Scheme at the Women in Construction Awards and to be third in the Graduate Employer of the Year Award at the National Graduate Recruitment Awards.

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

We remain focused on employee engagement and during the year our sixth annual engagement survey was undertaken. These voluntary surveys allow us to develop engagement plans throughout the business aimed at further improving our relationship with our employees.

We continue to recognise outstanding individual and team performance of our employees through quarterly and annual divisional awards and annual national awards. In addition, we operate an instant recognition scheme, which during the current year has awarded 400 prizes.

The expertise of our construction teams has again been recognised externally, with a record-breaking 102 (2012: 76) of our site managers winning 'Pride in the Job' awards from the NHBC. This is the highest number ever won by a housebuilder since the competition began in 1980 and is more than any other housebuilder for an unprecedented ninth consecutive year.

Our target is to have a fully certified Construction Skills Certification Scheme ('CSCS') operational workforce, including subcontractors. At March 2013, 96% (2012: 97%) of our workforce, including subcontractors, was fully CSCS certified, with the slight decrease reflecting the industry's focus on ensuring that all construction workers hold the appropriate card.

Planet

We are committed to our sustainability policy and we continue to strive to improve the design of both our homes and our developments to deliver high quality sustainable places to live.

Through our strict design requirements, we ensure that all of our developments meet a benchmark standard, creating exemplary schemes which include open spaces and communal areas. During the current financial year within our developments, 556 hectares of open space was created, 739 hectares of wildlife space was created or retained and 310,923 trees or shrubs were planted or retained.

“We continue to strive to improve the design of both our homes and our developments to deliver high quality sustainable places to live.”

We are committed to improving the carbon performance of our homes and have been working with a number of partners to achieve this and on industry leading research projects such as the AIMC4 Fabric First project. Our preferred approach is to improve the energy efficiency of our homes through fabric improvements and during the year 32% (2012: 26%) of our homes had enhanced energy efficiency due to fabric improvements. We also integrated renewables into 28% (2012: 30%) of our developments.

In progressing the zero carbon challenge as well as designing homes to meet the applicable building regulations, we also build homes to meet the requirements of the Code for Sustainable Homes ('CfSH') and various other design standards. In Scotland, the CfSH is not applicable and instead we comply with their equivalent which is a sustainability rating of bronze, silver and gold. Designing to the CfSH standards enables us to deliver sustainable homes that are tailored to a specific location as this standard takes into account both the energy and water efficiency of the home and the sustainability of the development. During the year we completed 4,227 homes (2012: 3,820 homes) that met the CfSH level 3 or above and 849 homes (2012: 1,150 homes) that met the previous EcoHomes Standard.

We are committed to leading on large scale sustainable housing projects as we believe that the experience and skills we develop from these provide us with the knowledge and experience we need to deliver future schemes to higher sustainability performance standards.



Paul Ebbs being presented with the Project Management award at the Duke of Gloucester's Young Achiever of the Year 2013 by HRH The Duke of Gloucester; Mike Bially, CITB and Christine Townley, Construction Youth Trust.



The Barratt Graduate Programme won the 'Best Training Scheme' category at the Women in Construction Awards in February 2013.

INJURY INCIDENCE RATE PER 100,000 PERSONS EMPLOYED

2009	571
2010	582
2011	539
2012	511
2013	329



For example, during the year we completed 42 units on our Hanham Hall development in Bristol and 32 on our Derwenthorpe development in York. We have commenced work on our Scotswood development in Newcastle upon Tyne where we are working in partnership to deliver a large scale sustainable development which is expected to produce 1,800 new homes to CfSH level 4.

We acknowledge that the nature of our business impacts on the local environment and we continue to strive to reduce this impact, both during and post-construction, by undertaking significant brownfield development, by delivering high quality regeneration projects and by monitoring our waste and energy usage. In the current year, we built 66% (2012: 65%) of our homes on brownfield land. 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. In each of our divisional offices, we have Green Teams to devise and implement schemes to reduce energy usage at a local level.

We are focused on waste management and seek to eliminate, minimise or recycle waste from our developments. During the year, we reduced our construction waste per legal completion to 6.25 tonnes (2012: 6.47 tonnes). We also segregated 95% (2012: 96%) of construction waste for recycling on-site.

During the year, we have adapted our greenhouse gas ('GHG') monitoring and reporting in line with the Government's recently published Environmental Reporting Guidelines

(June 2013). Our gross GHG footprint for this year was 36,196 tonnes CO_{2e}. This is based on the energy used in our offices (electricity and gas), on our active developments (electricity, gas, diesel and LPG) and for business travel (leased cars and vans, rail and flights). Our Scope 1 carbon emissions from gas, LPG and diesel were 16,287 tonnes CO_{2e}, Scope 2 carbon emissions from electricity were at 13,035 tonnes CO_{2e} and our Scope 3 carbon emissions were 6,874 tonnes CO_{2e}. This equates to 2.77 tonnes of GHG emissions per 1,000 square foot of legally completed floor area. In 2013, we excluded fugitive emissions associated with air conditioning refrigerant losses in our offices due to the unavailability of this data.

We were delighted to win several major awards during the current year reflecting our commitment to sustainability. At the Housebuilder Awards we were named 'Sustainable Housebuilder of the Year' and at the What House awards were named 'Sustainable Developer of the Year'.

Health and safety

The health and safety of our employees, our customers and the public remains a top priority. Our Safety, Health and Environmental management system ('SHE') is subject to continuous review and improvement and conforms to health and safety standards OHSAS18001 and ISO14001. All of 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 5,437 monitoring visits and achieved an average compliance rate of 97% (2012: 96%).

We also measure health and safety performance by monitoring our reportable Injury Incidence Rate ('IIR'). During the financial year ended 30 June 2013, our IIR reduced by 36% to 329 (2012: 511) 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.

In the 2013 NHBC Health and Safety Awards, Jason White, a site manager at Great West Quarter in Brentford, won the National Award in the Multi-Storey category. In addition, we won one Regional Award and had ten commended sites.

GROUP FINANCE DIRECTOR'S REVIEW



Operating profit before operating exceptional items¹

£252.7m

(2012: £191.1m)

Profit before tax before exceptional items²

£192.3m

(2012: £110.7m)

Adjusted earnings per share before exceptional items³

14.6p

(2012: 8.1p)

Driving profitability and reducing indebtedness

We have delivered another year of impressive profit growth and have further reduced net debt, whilst continuing to purchase land that will result in further improvements in margin. We have also comprehensively refinanced the business. We are well placed to make further good progress in 2014.

SUMMARY

- Significantly improved profitability with a 73.7% increase in profit before tax and exceptional items to £192.3m (2012: £110.7m).
- Net debt reduced by £141.8m to £25.9m (2012: £167.7m).
- Comprehensive refinancing completed with c. £850m of committed borrowing facilities to June 2016 and £650m to May 2018 with some of these facilities extending as far as 2021.

KEY PERFORMANCE METRICS

Our key performance metrics for the financial year were as follows:

- revenue was £2,606.2m (2012: £2,323.4m);
- completions, including joint ventures, increased by 6.3% to 13,663 (2012: 12,857);
- profit from operations before operating exceptional items increased by 32.2% to £252.7m (2012: £191.1m);
- profit from operations was £249.9m (2012: £191.1m);
- operating margin before operating exceptional items was 9.7% (2012: 8.2%);
- profit before tax before exceptional items increased by 73.7% to £192.3m (2012: £110.7m);
- profit before tax was £104.8m (2012: £100.0m);
- adjusted basic earnings per share before exceptional items was 14.6p (2012: 8.1p);
- net debt was £25.9m (2012: £167.7m).

SIGNIFICANT TRANSACTIONS

During the year we completed a number of significant transactions to further strengthen and enhance our financial position and performance.

Comprehensive refinancing

As a result of our much improved financial performance, on 14 May 2013 we completed a comprehensive refinancing a year ahead of schedule, and achieved committed borrowing facilities at attractive terms over a period of up to eight years. The refinancing provides the Group with around £850m of committed

¹ Operating profit after £2.8m (2012: £nil) of operating exceptional items was £249.9m (2012: £191.1m).

² Profit before tax after £87.5m (2012: £10.7m) of exceptional items was £104.8m (2012: £100.0m).

³ Basic earnings per share 7.7p (2012: 7.0p).

borrowing facilities to June 2016 and £650m to May 2018 with some of these facilities extending as far as 2021.

The refinancing elements are detailed below:

Future facilities

- new £700m committed bank revolving credit facility, reducing to £550m in June 2016 and maturing in May 2018;
- retention of the US\$80m of private placement notes that were issued in May 2011 and mature in August 2017, swapped into sterling equating to a £48m fixed-rate loan; and
- retention of the £100m term loan from The Prudential/M&G UK Companies Financing Fund that was drawn in July 2011, of which 25% is scheduled to be repaid in 2019, 25% in 2020 and the balance in 2021.

Covenants

The covenants reflect a normalised lending package including a return to an interest cover covenant (as opposed to cash cover introduced in 2008) being tested alongside tangible net asset value and gearing covenants.

Prepayment of historic private placement notes

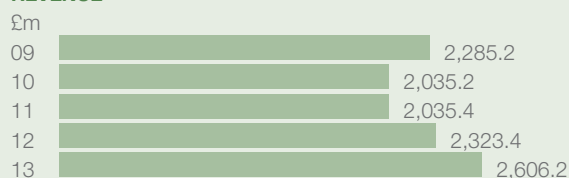
The Group's historic private placement notes that were issued in 2007 and 2008 (amounting to £151.9m equivalent at 30 June 2013), together with the associated cross currency swaps, were cancelled on 2 July 2013. The average interest payable on these notes was around 11.4%. These notes had interest payable make-whole provisions that were calculated at 300 basis points below the interest coupon. Accordingly, given the downward trajectory of Group debt there was both the opportunity and financial incentive for the Group to exercise its prepayment rights.

The interest make-whole of £53.0m is included in the exceptional finance charge in the income statement.

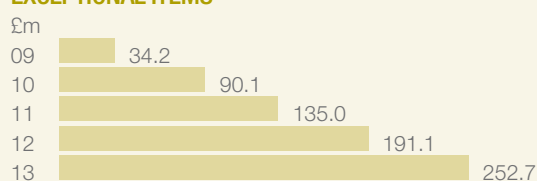
Cancellation of historic interest rate swaps

The Group's interest rate swaps were inceptioned in 2007. The Group has cancelled £55m nominal value of interest rate swaps resulting in an exceptional finance charge of £18.5m in the year ended 30 June 2013. After this cancellation, the Group has interest rate swaps remaining with a nominal contracted value of £137m. These will be cancelled in the future as appropriate. The cancellation cost for these remaining swaps as at 30 June 2013 was c. £30m.

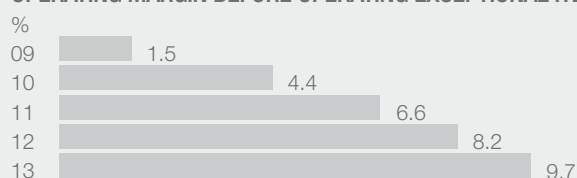
REVENUE



PROFIT FROM OPERATIONS BEFORE OPERATING EXCEPTIONAL ITEMS



OPERATING MARGIN BEFORE OPERATING EXCEPTIONAL ITEMS



Monetisation of equity share

In line with our previously stated aim to monetise this asset, on 13 May 2013 we entered into a joint venture, Rose Shared Equity LLP ('Rose'), with a fund managed by Anchorage Capital Group LLC ('Anchorage'). The Group's equity share loans that originated in the period from 1 January 2009 to 31 December 2011 were sold to Rose.

Anchorage acquired a 50% interest in Rose for £33.7m. Anchorage will receive its initial investment back by way of preferred return and then the partners will share equally all subsequent cash proceeds from the portfolio.

This transaction resulted in no gain or loss compared to the net book value of the assets being monetised.

The Group will continue to actively manage its equity share loan portfolio to optimise cash receipts.

Joint ventures

In the last three years we have developed a JV model mainly for our London region.

Operationally, this provides us with a greater consumer presence and also creates more activity in the land market. Financially, it reduces peak investment per site, reduces concentration risk and enhances ROCE. During the year, we have entered into two new housing JVs comprising Fulham Wharf LLP and Barratt Wates (Worthing) Limited.

Since 30 June 2013, we have also entered into a JV with a fund managed by Morgan Stanley Real Estate Investing to build 770 homes on a riverside site in the Royal Borough of Greenwich.

REVIEW OF FINANCIAL PERFORMANCE

Operating performance and 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 £87.5m (2012: £10.7m). This comprised operating exceptional items of £2.8m (2012: £nil), exceptional costs arising from the impairment of its investment in a commercial JV of £5.4m (2012: £10.7m related to the acquisition of a former JV) and exceptional finance costs of £79.3m (2012: £nil).

Operating exceptional items

i) Refinancing and equity share monetisation

As a result of the comprehensive refinancing and the monetisation of equity share in the year, the Group incurred £2.8m of costs, mainly related to professional fees, which have been included as an exceptional operating expense. There is a related tax credit of £0.6m.

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 margins 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 2013. However, there were gross impairment charges of £35.4m (2012: £48.1m) and reversals of £22.6m (2012: £34.8m) resulting in a net inventory impairment of

£12.8m (2012: £13.3m) due to variations in market conditions across housebuilding and commercial development sites.

During the year ended 30 June 2013, 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 2014.

Financing exceptional items

As a result of the comprehensive refinancing in the year, the Group incurred £79.3m of exceptional finance costs related to the interest make-whole on the private placement notes, the cancellation of cross currency and interest rate swaps and the write-off of fees in respect of the previous refinancing. There is a related tax credit of £18.8m.

In addition, as a result of this refinancing, the Group has incurred fees of £14.9m which are being amortised over the life of the facilities.

Joint venture exceptional item

At 30 June 2013, the Group conducted an impairment review of its share of the inventories included within its JV investments. As a result of this review, the Group impaired its investment in a commercial JV by £5.4m with a related deferred tax credit of £1.3m.

Finance cost

The net finance charge before exceptional costs for the year was £68.0m (2012: £80.8m). This included a non-cash finance charge of £20.5m (2012: £23.2m). After financing exceptional costs of £79.3m (2012: £nil) related to the comprehensive refinancing, the net finance charge for the year was £147.3m (2012: £80.8m).

Following our refinancing, the underlying average interest rate for the Group (excluding historic interest rate swaps) has reduced to c. 4.5%. For the financial year ending 30 June 2014 we currently expect that our cash and non-cash finance charge will be c. £35m and c. £25m respectively.

Tax

The Group's tax charge for the year was £29.8m (2012: £32.6m). This differed from the effective rate for the year of 23.75% mainly due to the impact of the reduction in the statutory corporation tax rate from 24% to 23% and its impact upon the Group's deferred tax asset and adjustments relating to prior periods.

For the financial year ending 30 June 2014 we expect the total taxation charge to be around the effective rate of corporation tax of 22.5%. 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 enacted in the Finance Act 2013.

Dividend

The Board proposes to pay a final dividend of 2.5 pence per share for the financial year ending 30 June 2013, which subject to shareholder approval, will be paid on 20 November 2013 to shareholders on the register at the close of business on 25 October 2013. The dividend was covered around six times by adjusted basic earnings per share. The Board intends to adopt a progressive dividend policy as profitability grows, with the aim of achieving a target dividend cover of around three times for FY16.

Income recognised in equity

During the year an income of £8.8m (2012: expense of £33.9m) has been recognised in equity predominantly in respect of hedged cashflows and hedged cashflows no longer expected to occur.

REVIEW OF FINANCIAL POSITION

The net assets of the Group increased by £99.4m to £3,073.2m (2012: £2,973.8m), primarily reflecting the profit after tax for the year of £75.0m and the income recognised directly in equity including amounts in respect of hedged cashflows and hedged cashflows no longer expected to occur.

Net tangible asset value increased by 4.8% to £2,181.0m (2012: £2,081.6m) and net tangible asset value per share at 30 June 2013 was £2.23 (2012: £2.13 per share).

Significant movements in the balance sheet included:

- the Group's book value of land was £2,127.0m (2012: £2,077.3m), an increase of £49.7m. This increase included land additions of £658.4m offset by land usage and disposals;

Land bank

£2,127.0m

(2012: £2,077.3m)

Unreserved stock units per active site

1.7 units

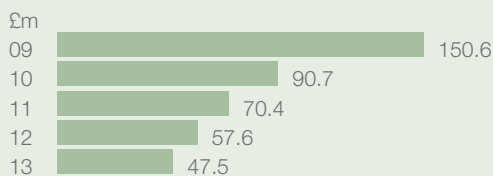
(2012: 2.6 units)

Net debt

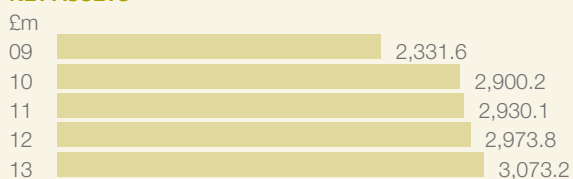
£25.9m

(2012: £167.7m)

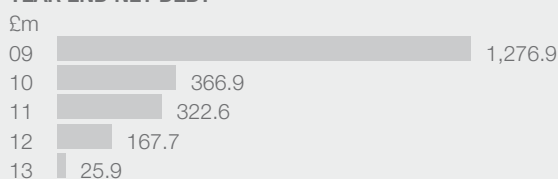
NET CASH INTEREST CHARGE



NET ASSETS



YEAR END NET DEBT



- Group work in progress at 30 June 2013 was £1,001.9m (2012: £1,065.5m). Stock and work in progress has been closely controlled throughout the year and the decrease of £63.6m primarily reflects a reduced stock holding at the year end. Unreserved stock units as at 30 June 2013 were 1.7 units (2012: 2.6 units) per active site;
- Group net debt decreased by £141.8m over the year to £25.9m (2012: £167.7m). As we increase site numbers, make scheduled payments on agreed new land, build work in progress particularly in London, and to deliver completions for spring 2014 we expect net debt at 31 December 2013 to increase in line with normal seasonal trends (2012: £331.7m). Going forward our target is to maintain an appropriate capital structure;
- 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 (2012: £0.4m) and a deferred tax asset of £92.1m (2012: £118.6m). The Group's deferred tax asset decreased by

£26.5m mainly due to the reduction in the statutory corporation tax rate to 23% and the utilisation of tax losses. The changes to corporation tax rates announced in the 2013 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 2013 they are not reflected in the Group's financial statements. The reduction in corporation tax rate from 23% to 20%, which has been enacted since the balance sheet date, would further reduce the Group's deferred tax asset by £12.0m if all of the deferred tax was to reverse after July 2015;

- the pension fund deficit on the Barratt Developments defined benefit pension scheme reduced by £8.0m in the year to £13.4m mainly due to employer contributions and actual returns greater than expected returns, offset by changes in actuarial assumptions;
- trade and other payables were £1,391.9m (2012: £1,361.3m) including an increase of £18.3m in land payables from £726.1m to £744.4m reflecting the significant proportion of newly acquired land on deferred terms.

TREASURY

Following our refinancing we have around £850m of committed borrowing facilities to June 2016 and £650m to May 2018 with some of these facilities extending as far as 2021. In order to enable us to take advantage of current opportunities in the land market, we have agreed terms upon an additional £50m two year term loan, which we expect to be available from 1 October 2013. Our covenant package is appropriate and the facilities provide appropriate headroom above our current forecast requirements.

We maintain a regular dialogue with our lending group, holding at least three meetings per annum, where we provide 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 CONCLUSION

During the year, the Group has made significant progress in both building profitability and reducing net debt, and has refinanced to provide appropriate facilities for the Group's future funding requirements whilst reducing the effective cost of its facilities.

Our focus remains on building profitability, maintaining an appropriate capital structure and substantially improving our ROCE.

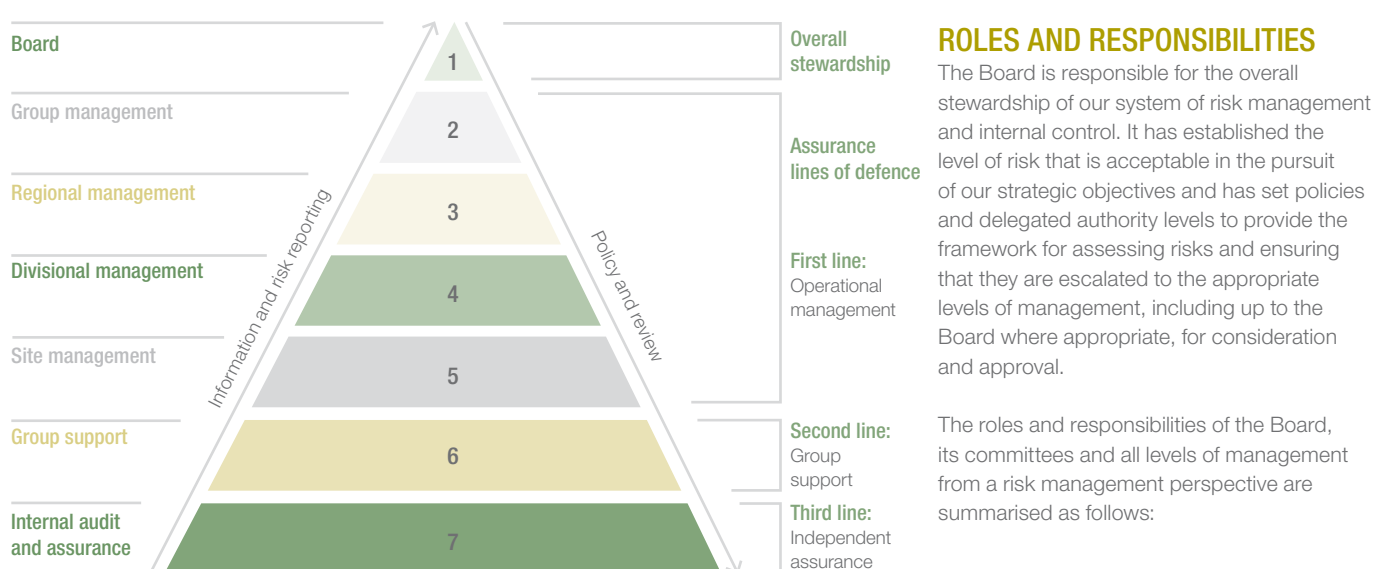
David Thomas

GROUP FINANCE DIRECTOR

MANAGING RISK

Risk management

We believe that effective risk management is critical to the achievement of our strategic objectives and our long-term performance. Risk management is embedded at all levels of our business and is an integral part of our day-to-day operations. We continually assess our exposure to risk and seek to ensure that risks are appropriately mitigated.



1. BOARD	RESPONSIBILITIES	ACTIONS UNDERTAKEN
Board	- Strategic leadership - Determines the level of risk acceptable, assesses key risks and seeks to ensure that they are appropriately managed and mitigated - Sets delegated authority levels - Approves policies and procedures	- Set the strategic direction for the Group - Issue and review risk management policy - Annually review effectiveness of risk management and internal control systems - Review key risks and responses
Audit Committee	Reviews the effectiveness of internal controls, including systems to identify, assess and monitor risks	- Review key areas of accounting judgement - Receive regular reports on internal and external audit - Biannually assess risk management and internal control systems
Nomination Committee	Ensures an appropriate balance of skills, knowledge and experience on the Board	Review the composition of the Board and consider succession planning
Remuneration Committee	Ensures the appropriate incentivisation of the senior executive population	Review the remuneration of the senior executives and the appropriateness of incentive schemes
2. GROUP MANAGEMENT	RESPONSIBILITIES	ACTIONS UNDERTAKEN
Executive Committee	- Monitors performance and changes in key risks facing the business and provides regular reports to the Board - Responsible for ensuring that the risk management policy is implemented and embedded within the business and appropriate actions are taken to manage risks	- Implement strategic direction of the Group - Three year plan process incorporating annual budgeting - Regular performance reviews - Biannual review of internal assessment of risk management and control self-certification - Review results of assurance activities

2. GROUP MANAGEMENT	RESPONSIBILITIES	ACTIONS UNDERTAKEN
Operations Committee	Review of regional operating performance	Review of regional performance, risks and mitigation plans
Health and Safety Committee	Reviewing the effectiveness of health and safety policies and establishing controls and procedures to manage these risks	- Implement health and safety policies and procedures approved by the Board - Review results of assurance activities
Risk Committee	Consideration of identified risks and their mitigation	Review risk action plans
Treasury Operating Committee	Management of liquidity and counterparty risk and ensuring that treasury policies are implemented and embedded within the business	Implement treasury policies and procedures approved by the Board
Land Committee	Reviewing and authorising all proposed land acquisitions to manage land acquisition risk	Review of land acquisition proposals and post-investment appraisals
3. REGIONAL MANAGEMENT	RESPONSIBILITIES	ACTIONS UNDERTAKEN
Regional management	- Responsible for risk identification, management and control within their region - Ensuring that divisional risk management responsibilities are appropriately discharged	- Review divisional performance including regular site visits with review and challenge of performance, risks and their mitigation - Biannual review of internal assessment of risk management and control self-certification
4. DIVISIONAL MANAGEMENT	RESPONSIBILITIES	ACTIONS UNDERTAKEN
Divisional management	- Business planning to support strategic objectives - Maintain an effective system of risk management and internal control within their division	- Monthly board meetings and regular site reviews to review performance, risks and their mitigation - Quarterly site valuation and valuation reviews - Biannual risk management, control self-certification and risk escalation
5. SITE MANAGEMENT	RESPONSIBILITIES	ACTIONS UNDERTAKEN
Site management	Maintain an effective system of risk management and internal control upon their site including construction risks, subcontractor risks and health and safety	Day-to-day management of their site
6. GROUP SUPPORT FUNCTIONS	RESPONSIBILITIES	ACTIONS UNDERTAKEN
Support functions	Guidance and advice to operational management to help with risk identification, quantification and mitigation including legal and regulatory requirements, product design and technical specifications, Human Resources, Commercial, IT, Procurement, Finance and Insurance	- Provide guidance, support and challenge for management including: regular financial and performance reviews; the review and authorisation of product design/technical specifications; and training, guidance and policies - Centrally maintained IT systems - Centralised procurement for key material supplies - Develop and implement approved strategy for insurable risk
7. INTERNAL AUDIT AND ASSURANCE	RESPONSIBILITIES	ACTIONS UNDERTAKEN
Internal audit	- Independent review of the effectiveness of risk management and compliance with internal controls - Reporting to the Audit Committee upon the effectiveness of key controls	- Regular operational, financial and commercial audits - Regular reports to the Audit Committee and meetings with the Audit Committee without management presence - Review of biannual risk management and control self-certification
Health and Safety	Independent audit of health and safety procedures and controls on sites and within divisional offices	- Regular site audits - Regular reports to Health and Safety Committee, Board, Executive and Operations Committees - Attend divisional board meetings
Group architects	Ensuring all properties are designed in accordance with relevant legislation and best practice design	- Regular site audits - Approval process for non-standard properties

Principal risks and uncertainties

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

RISK AND DESCRIPTION	RELEVANCE TO STRATEGY	MITIGATION	CHANGE IN 2013
Economic environment, including housing demand and mortgage availability Changes in the UK and European macroeconomic environments, including unemployment, flat economic growth, buyer confidence, availability of mortgage finance particularly for higher loan to values including Government backed schemes, the ability of purchasers to repay equity share 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.	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 Committee undertakes a weekly review of key trading indicators, including reservations, sales rates, equity share sales, part-exchange, visitor levels, incentives, publicly 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 continuously seeks to enhance the effectiveness and efficiency of our sales processes and keeps the Group's cost base tightly controlled. Cost reduction measures are also managed via the stewardship of the Executive and Operations Committees.	The UK housing market remained relatively stable during the first nine months of the Group's financial year and showed material signs of improvement during the final quarter. The Group has seen an increase in the availability of higher loan to value mortgages and increasingly competitive mortgage rates largely resulting from the Bank of England's Funding for Lending Scheme. Government support for the UK housebuilding industry has remained strong with a number of initiatives in place designed to support house purchases and stimulate economic growth. Housing formed a prominent part of the March 2013 Budget with a range of new measures announced in particular to improve the supply of mortgage finance. In April 2013 Help to Buy was launched, the Government only backed equity share product available to the new build sector. Since then the Group has seen a significant step up in levels of consumer interest and a strengthening of sales rates.  An improving market: page 6 UK housing market: pages 18 and 19
Land purchasing The ability to secure sufficient consented land at appropriate cost and quality to provide profitable growth.	The Group needs to purchase sufficient quantities of good quality, consented land at attractive prices in order to be in a position to commence construction and enhance the Group's ability to deliver profit growth. Acquiring poor quality or mispriced land would have an adverse impact on 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 gross margin and ROCE hurdle 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.	The Group continues to see a good range of opportunities for investment in its targeted locations without undue concentration and without relaxing its 20% gross margin or 25% ROCE hurdle rates. However, there is a strong demand for conventional and low complexity sites in London and the south east, with some site specific land price increases in these areas driven by competition and house price inflation.  Building profitability – acquiring land: pages 9 and 10 Targeted land buying: page 11

RISK AND DESCRIPTION	RELEVANCE TO STRATEGY	MITIGATION	CHANGE IN 2013
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 Group maintains committed facilities of different duration that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are cyclical during the financial year and peak around April/May and October/November each year as, due to seasonal trends in income, these are the calendar points when the Group has the highest working capital requirements. The Group maintains sufficient committed debt facility headroom and in addition has a number of trade finance and surety facilities that are designed to ensure the Group has sufficient funds available. The absence of appropriate headroom would limit the Group's land buying and operational capability, adversely affecting profitability and the Group's ability to deliver shareholder value.	The Group has committed borrowing facilities of around £850m with maturities ranging from 2016 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 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 2013 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 2013 Annual Report and Accounts.	The Group has agreed a comprehensive refinancing during the year, which provides committed borrowing facilities of around £850m with maturities ranging from 2016 to 2021.  Comprehensive refinancing: pages 30 and 31 Treasury: page 33 Going concern: page 91
Attracting and retaining high calibre employees ^ Inability to recruit and/or retain employees with appropriate skill sets or sufficient numbers of such employees.	The Group aims to attract, retain and develop a sufficiently skilled and experienced workforce in order to maintain high standards of quality and customer service. Not having employees with appropriate skill 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.	Despite high competition amongst employers in some regions, employee turnover has only slightly increased to 13% (2012: 12%). The Group is also undertaking a number of initiatives to help rebuild the skills base of the industry.  People: pages 26 to 28
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 as well as contingency plans should any key supplier fail.	During 2013 the Group saw some price increases in bricks, blocks and plastic plumbing. However, the overall price increase on centrally procured materials was less than 1%. For FY14 the Group continues to put supplier agreements in place to seek to ensure continuous availability of materials and overall it expects low single-digit cost increases. The Group will continue to work to mitigate the impact of any such increases wherever possible through further build efficiencies.  Building profitability – improving efficiency: page 10

RISK AND DESCRIPTION	RELEVANCE TO STRATEGY	MITIGATION	CHANGE IN 2013
Government regulation and planning policy [▲] Inability to adhere to the increasingly stringent and complex regulatory environment, including planning and technical requirements affecting the housing market and regulatory requirements more generally.	The Group's land portfolio consists of land for the short and medium term as well as strategic land. Inability to obtain suitable consents, or unforeseen delays, could impact on the number or type of homes that we are able to build. We could also be required to fund higher than anticipated levels of planning obligations, or incur additional costs to meet increased regulatory requirements. All of these would have a detrimental impact on the contribution per plot. The Group seeks to meet regulatory and planning requirements to obtain the planning permission required to develop homes and communities.	Led by the Group Chief Executive, and supported by the Director of Corporate Affairs and the Group Head of Planning, the Group consults with the Government both directly and through industry bodies to highlight potential issues and has considerable in-house technical and planning expertise devoted to complying with regulations and achieving implementable planning consents. The Group has appropriate policies and technical guidance manuals in place to assist employees to achieve regulatory compliance and the standards of business conduct expected of them.	The Group continues to see some improvements in this area both as a result of changes in Government policy and operational improvements within its business. Following the implementation of the Government's National Planning Policy Framework, there are stronger incentives for local authorities to put in place five year land supplies. That in turn is leading to an improved dialogue between local authorities and in the Group's divisions. Nevertheless the planning process remains a lengthy one and on average it takes the Group around 70 weeks from agreeing to purchase the land to achieving full or outline planning consent. The length of the planning process will remain a restriction on the speed at which housing supply can increase.  Planning: pages 11 and 24
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. There are also 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 Committee oversees weekly reporting which identifies the number of properties at key stages of construction. Projected construction rates are evaluated as part of the monthly forecasting cycle. Progress with development projects (including joint ventures and consortiums), including returns and cash flows, is 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. All sites are valued on a quarterly basis and any cost overruns identified are reviewed at the monthly divisional board meetings and are subject to challenge by regional and Group management. The Group regularly monitors a number of environmental impact indicators, the results of which are disclosed in the Group's Sustainability Report. Appropriate insurance cover is maintained for the Group's main risks.	In addition to the weekly reviews by the Group Executive Committee, the Group Operations Committee assesses regional performance monthly.  Our performance: pages 19 to 21

RISK AND DESCRIPTION	RELEVANCE TO STRATEGY	MITIGATION	CHANGE IN 2013
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 ventures and consortium arrangements are subject to formal appraisal and appropriate external advice is obtained before such arrangements are approved. Once operational, the performance of joint ventures and consortium arrangements is subject to regular operational and financial review.	During the year, the Group has entered into a number of new joint ventures in London and the south east.  Joint ventures: page 21
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. 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 Group 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, which meets quarterly. Each month, health and safety reports are cascaded by each division for review by the Executive and Operations Committees and Board, which also receives a direct report every six months from the Group Head of Safety, Health and Environment.	No change.  Health and safety: page 29
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 Information Technology Director, a dedicated in-house IT team regularly monitors and maintains Group IT systems to ensure continued functionality. A fully-tested disaster recovery programme is in place.	The Group has invested in its site based IT and customer websites. The Group continues to invest in its business systems and IT infrastructure.  Digital on the move: page 27

▲ Sustainability risks are explored in more detail in our 2013 Sustainability Report, available at www.barrattdevelopments.co.uk 

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 26. Details of the Group's contingent liabilities are provided in note 34.

BOARD OF DIRECTORS AND COMPANY SECRETARY



ROBERT LAWSON
NON-EXECUTIVE CHAIRMAN

Appointment to the Board:

Bob joined the Board as a Non-Executive Director on 1 June 2008 and became Non-Executive Chairman on 1 July 2008.

Committee membership:

Chairman of the Nomination Committee and a member of the Remuneration Committee.

External appointments:

Bob is currently the Non-Executive Chairman of Genus plc and a Director of The Federation of Groundwork Trusts.

Previous experience:

Formerly the Chairman of Hays plc (2001-2010), 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 (1991-2006).



MARK CLARE
GROUP CHIEF EXECUTIVE

Appointment to the Board:

Mark was appointed Group Chief Executive on 2 October 2006.

Committee membership:

Member of the Nomination Committee.

External appointments:

Mark is a Trustee and a Director of the Building Research Establishment ('BRE') Trust and a Director of UK GBC Limited.

Previous experience:

Mark was formerly an Executive Director of Centrica plc. He joined British Gas in 1994, becoming Centrica's Finance Director in 1997 and Managing Director of Centrica's British Gas Residential Energy operation in 2002.



DAVID THOMAS
GROUP FINANCE DIRECTOR

Appointment to the Board:

David joined as an Executive Director and the Group Finance Director on 21 July 2009.

Previous experience:

He was formerly the Group Finance Director and the Deputy Chief Executive of The GAME Group plc (2004-2009). Before that he was the Group Finance Director at Millennium and Copthorne Hotels plc (1998-2004) and held senior financial roles with House of Fraser plc and Forte plc.



TESSA BAMFORD
NON-EXECUTIVE DIRECTOR

Appointment to the Board:

Tessa was appointed as a Non-Executive Director on 1 July 2009.

Committee membership:

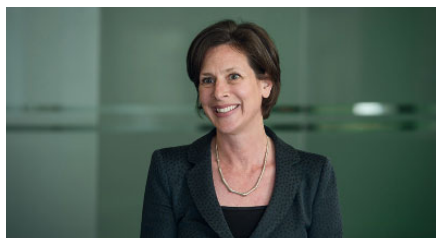
Member of the Audit, Nomination and Remuneration Committees.

External appointments:

Tessa is a Non-Executive Director of Wolseley plc, a consultant at Spencer Stuart, a Governor of the UK British Institute of Florence and a Director of Jo's Cervical Cancer Trust.

Previous experience:

Tessa was formerly a Director of Cantos Communications Limited (2001-2011) and a Director of J Henry Schroder & Co with whom her career spanned over 12 years in various roles (1986-1998).



NINA BIBBY
NON-EXECUTIVE DIRECTOR

Appointment to the Board:

Nina joined the Board as a Non-Executive Director on 3 December 2012.

Committee membership:

Member of the Audit, Nomination and Remuneration Committees.

External appointments:

Nina is currently the Marketing and Consumer Director Designate at O2.

Previous experience:

Nina was the Global Chief Marketing Officer at Barclaycard, the payments subsidiary of Barclays plc until 30 May 2013. She was responsible for brand development and communications, insight, innovation and digital engagement. Prior to Barclaycard, Nina was Senior Vice President Global Brand Management at InterContinental Hotels Group plc (2006-2009) and worked at Diageo (1997-2006), where she was latterly the Commercial Strategy Director.



RODERICK MACEACHRANE
NON-EXECUTIVE DIRECTOR

Appointment to the Board:

Rod was appointed as a Non-Executive Director on 1 May 2006.

Committee membership:

Member of the Audit, Nomination and Remuneration Committees.

External appointments:

Rod is currently a Director of the National House-Building Council ('NHBC') Pension Trustee Limited and a member of the Governing Board of the NHBC Foundation, an independent charitable research foundation which is a joint venture with the BRE.

Previous experience:

He was formerly a Director of the National Centre for Excellence in Housing as well as the Commercial Director and an Executive Director of the NHBC main board before retiring after 25 years' service in April 2006.



STEVEN BOYES

GROUP CHIEF OPERATING OFFICER

Appointment to the Board:

Steven joined the Board as an Executive Director on 1 July 2001 and was appointed as the Group's Chief Operating Officer on 5 July 2012 with responsibility for all of the Group's housebuilding operations nationally.

Previous experience:

Steven joined Barratt in 1978 and became Technical Director and then Managing Director of Barratt York before being appointed Regional Director for Barratt Northern in 1999.



MARK ROLFE

SENIOR INDEPENDENT DIRECTOR

Appointment to the Board:

Mark was appointed as a Non-Executive Director on 1 May 2008 and became the Group's Senior Independent Director on 14 November 2012.

Committee membership:

Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees.

External appointments:

Mark is a Non-Executive Director of The Sage Group plc, Hornby plc and Debenhams plc and Chairman of Lane Clark & Peacock LLP.

Previous experience:

Mark 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.



RICHARD AKERS

NON-EXECUTIVE DIRECTOR

Appointment to the Board:

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

Committee membership:

Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

External appointments:

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 a Fellow of the Royal Institution of Chartered Surveyors.

Previous experience:

Richard was previously a Director and President of the British Council of Shopping Centres (2009-2012), the main industry body for retail property owners.



TOM KEEVIL

GROUP GENERAL COUNSEL
AND COMPANY SECRETARY

Appointment to the Board:

Tom was appointed Group General Counsel and Company Secretary on 1 April 2011.

External appointments:

Tom is a Non-Executive Director of the Solicitors Regulation Authority and a Fellow of the Chartered Institute of Arbitrators.

Previous experience:

Tom was previously the Group General Counsel and Company Secretary of United Utilities Group PLC (2007-2011) and Gallaher Group plc (2001-2007). Prior to this, he was a partner at international law firm Simmons and Simmons, which he joined in 1984.

CORPORATE GOVERNANCE

LETTER FROM THE CHAIRMAN



Dear Shareholder

I am pleased to report that your Company has fully complied with the main and supporting principles of the UK Corporate Governance Code (the 'Code') issued in June 2010, a copy of which is available from www.frc.org.uk. The Board is focused on issues and developments impacting the UK corporate governance arena including the requirements of the UK Corporate Governance Code issued in September 2012 and the revised reporting requirements for the Directors' and Remuneration Reports, which will formally apply for the financial year ending 30 June 2014.

Board composition

Good corporate governance is more than just awareness and adherence to the Code. It is about the Board, under my stewardship, setting the right tone at the top. A key element of this is ensuring that Board composition is made up of the appropriate balance of skills and experience to drive the strategy forward. During the year, the non-executive membership of the Board was refreshed. Bob Davies retired from the Board in November 2012, after almost nine years' service to the Board. In order to enhance the existing Board balance it was agreed that it would be beneficial to the business to have a Board member with strategic marketing skills and experience. Accordingly, Nina Bibby was appointed as a Non-Executive Director in December 2012. In addition, the Executive reporting structure was simplified through the creation of a Group Chief Operating Officer role reporting to the Group Chief Executive.

Board effectiveness

We assessed the performance of our Board and its committees through a series of individual director, senior manager and external adviser assessments. This was conducted by Mrs Ffion Hague of Independent Board Evaluation ('IBE'). The outcome (which is set out in the report of the Nomination Committee) was positive and generated a number of insightful suggestions which we will address over the next 12 months.

Diversity

The Board's policy on Board appointments is available on our website www.barrattdevelopments.co.uk. The Nomination Committee's terms of reference include an express reference to the consideration of diversity when reviewing and implementing Board level succession plans. Below Board level the Group Chief Executive and the Group Human Resources Director are reviewing our existing policies and procedures and considering if there is any need for change to enhance the promotion of diversity amongst our workforce. Encouragingly, our graduate intake, which we have more than doubled in size for the 2013/14 financial year (23 to 57) has a 50:50 gender balance.

Risk management and internal controls

A key focus of the Code is risk management and the responsibility of boards to determine the nature and extent of the risks they are willing to take in achieving strategic corporate objectives, as well as including an explicit obligation for boards to review the effectiveness of risk management systems and internal control. Given the risks inherent with building and construction, the awareness of risk amongst directors is high. Accordingly, 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 the management of risk and enhanced our review of the principal risks and uncertainties of the Group so that their relevance to the Group's business and management accountabilities for each mitigation strategy is clear (see Managing Risk on pages 34 to 39 of the Business Review).

Shareholder engagement

The Board recognises the importance of maintaining an on-going relationship with the Company's shareholders and achieves this through regular dialogue on issues such as the potential impact upon our business of UK and European macroeconomics, the availability of mortgage lending to customers, strategy, performance and governance. We also continue to consult with major shareholders in respect of our remuneration policy.

Conclusion

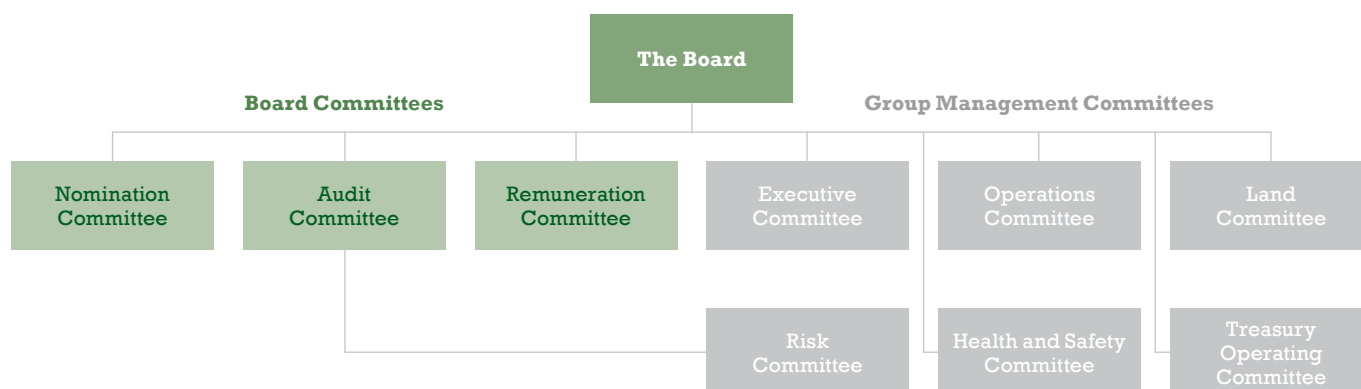
In addition to the key areas referred to above, your Board will also continue to focus on increasing the profitability, maintaining an appropriate capital structure of the Group as well as enhancing the Group's Return on Capital Employed and total shareholder return (see pages 85 to 144 of this Annual Report and Accounts). We also remain committed to excellence in the quality of the homes we build and the communities we create, as reflected in our record number of NHBC quality awards this year.

Bob Lawson

CHAIRMAN

CORPORATE GOVERNANCE

Corporate Governance reporting structure



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 that 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 each of the Board Directors are set out on pages 40 and 41. Membership of the Board throughout the financial year and attendance at each of its meetings are set out in Table 1.

Table 1 – Membership and attendance at Board meetings

The Board	
Chairman: Bob Lawson	
Bob Lawson	10/10
Mark Clare	10/10
David Thomas	10/10
Steven Boyes	10/10
Bob Davies†	4/4
Richard Akers	10/10
Tessa Bamford^	9/10
Nina Bibby**	6/6
Rod MacEachrane	10/10
Mark Rolfe*	10/10

† Bob Davies stepped down from his positions as Non-Executive Director and Senior Independent Director of the Company on 14 November 2012.

^ Tessa Bamford explained the reasons for her absence from a meeting and provided her views on the items of business to the Chairman.

* Mark Rolfe was appointed Senior Independent Director with effect from 14 November 2012.

** Nina Bibby joined the Board as a Non-Executive Director on 3 December 2012.

Notes:

1 Clive Fenton resigned from the Board on 5 July 2012.

2 10/ Number of meetings attended whilst a Director;
/10 Number of meetings held whilst a Director.

The Board met on ten occasions during the financial year to review and approve a variety of matters including those specifically reserved to them:

Activities undertaken during the 2012/13 financial year (including Matters Reserved):

- off-site strategic review of the business of the Group;
- visits to the Central and Northern business regions;
- review of senior management succession plans;
- external facilitation of an effectiveness review of the Board, its Committees and individual directors;
- 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 land investments/transactions; and
- approval of core policies relating to, amongst other matters, safety, health and environment and employee conduct.

In addition to a formal strategic review, the Board usually visits two of the six Group operating regions each year on a rotational basis. During these visits, which are over a two day period, Board members receive presentations from the regional management teams and also conduct site visits. During the 2012/13 financial year the Board met in the Central and the Northern regions of the business. Separate to these formal visits, individual Non-Executive Directors may also undertake informal site visits annually as part of their direct engagement with employees. The Board has also enhanced the frequency of the briefings that it receives from the Regional Managing Directors who are not hosting annual site visits, together with presentations and updates from key support functions, such as information technology, sales and marketing, human resources and health and safety. This assists the Board with assessing the risks affecting the business, having had the benefit of direct input from those responsible for managing such risks on a regular basis.

Board committees

The Board has established three principal committees to which it has delegated specific responsibilities: the Audit (pages 51 to 55); the Remuneration (pages 56 and 57 to 80); and the Nomination (pages 47 to 50) 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 each of the Committees during the 2012/13 financial year are shown in Tables 2, 4 and 5 (pages 47, 51 and 56 respectively). Each of these Committees (and the Board) completed annual effectiveness reviews (see pages 47, 49, 52 and 67).

Group management committees

In addition to the Board committees there are a number of Group management committees which report directly to the Board or to a Board Committee to focus on specific areas of the business. The Group management committees are: the Executive; Risk; Land; Health and Safety; Operations; and Treasury Operating. The membership and responsibilities of each of these are set out below.

The Executive Committee

Meets on a weekly basis to review operational matters and also undertakes more in-depth monthly reviews.

Members:

Executive Board members, the Group General Counsel and Company Secretary, the Group Sales & Marketing Director, the Group Director of Corporate Affairs, the Group Human Resources Director and the Managing Director of Wilson Bowden Developments.

Responsibilities:

Supporting the Group Chief Executive in carrying out the day-to-day management of the activities of the Group.

The Risk Committee

Meets at least three times a year.

Members:

The Group Finance Director, the Group Financial Controller, the Group General Counsel and Company Secretary, the Group Safety, Health and Environment Director, a Regional Managing Director, a Regional Finance Director (from a different region) and the Chief Internal Auditor.

Other members of the Executive Committee, heads of function and senior managers attend meetings by invitation having regard to the business areas to be explored.

Responsibilities:

Reviewing the effectiveness of the Group's internal control policies and procedures for the identification, assessment and reporting of risks and assessing individual key risks on a rolling basis.

The Land Committee

Meets on a weekly basis.

Members:

Group Board Executive Directors, the Group Treasurer, the Director of Corporate Affairs and the Group Sales & Marketing Director.

Other employees of the Group, such as the Group General Counsel and Company Secretary and the Group Heads of Legal Property Services, are invited to attend each meeting.

Responsibilities:

Reviewing and approving all land acquisition proposals across the Group. Depending on the value of the land acquisition, Board approval may also be required, for example for any joint venture arrangement.

The Health and Safety Committee

Meets on a quarterly basis.

Members:

The Group Chief Operating Officer, the Group General Counsel and Company Secretary, the Group Safety, Health and Environment Director, the Group Design & Technical Director, the Group Human Resources Director, a Construction Director, two Regional Managing Directors (representing the North and South operations) and a divisional safety, health and environment manager.

Responsibilities:

Developing the health and safety strategy for the Group; ensuring that health and safety policies and procedures are adequately implemented and adhered to throughout the Group; monitoring the effectiveness of the Group's health and safety systems and keeping abreast of changes in legislation surrounding safety, health and the environment.

The Operations Committee

Meets on a monthly basis.

Members:

The Group Chief Operating Officer and the six Regional Managing Directors.

Members of the Executive Committee, heads of Group functions and the Regional Finance Directors attend the meetings by invitation on an ad-hoc basis.

Responsibilities:

Responsible for managing operational performance.

The Treasury Operating Committee

Meets as and when required by the needs of the business.

Members:

The Group Chief Executive, the Group Finance Director and the Group Treasurer.

Responsibilities:

Reviewing the Group's funding requirements and approving new debt facilities. Further approval from the Board may be required for certain types of funding and where the level of funding is over and above the levels delegated to the Treasury Operating Committee.

Roles of Chairman, Group 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, accurate and clear information so as to properly conduct its business; ensuring new directors participate in a full and formal induction process; making certain 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 the Executive Committee (see page 44 of this report).

The Senior Independent Director, Mark Rolfe, has specific responsibility for evaluating the performance of the Chairman, at least annually. Details can be found on page 49. 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.

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 five working days 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.

Employment policy and involvement

(i) Employment policy

The Group is committed to seeking to develop the talents of its employees so that they can maximise their career potential and seeks 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.

(ii) Employee engagement

The Board recognises that appropriate employee engagement is a key factor in the long-term success of the Group. It utilises a comprehensive employee engagement programme with the aim of creating a strong, shared culture. All employees are invited to take part in an on-line 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. Details are provided on page 28 of the Business Review.

(iii) Employee communications

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 and bulletins 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.

(iv) Graduate recruitment

The Group runs a Graduate Recruitment and Development Programme consisting of a two-year multi-disciplinary programme of both on-job and off-job modules. The Group currently has 80 graduates on the programme, of which 57 commenced their graduate training in September 2013. This year our 'Future Talent Strategy' includes the introduction of a one-year Accelerated Graduate Scheme in Sales and Construction, paid Internships, a new Construction Foundation degree and the recruitment of Trade Apprentices. Over the next three years we plan to recruit around 600 trainees onto our schemes.

(v) Employee training and development

The Group is committed to providing 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. The programmes are designed and delivered internally and are 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. We have introduced a new Sales Academy this year and have invited all of our current and newly recruited sales professionals to complete a training programme that is accredited by the Institute of Sales and Marketing Management. Succession planning is in place across the Group and the leadership programmes assist with the development of individuals as part of the succession plan.

(vi) Employee Sharesave Scheme

In February 2013 the Company invited all eligible employees of the Group to participate in the fifth grant under the Savings Related Share Option Scheme (the 'SRSOS') which was approved by shareholders at the Company's annual general meeting ('AGM') held in November 2008. 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 (new and existing) the chance to participate in the SRSOS and become more involved in the Group's performance. As at 30 June 2013, approximately 47.5% of employees participate in the SRSOS.

Relations with shareholders

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

Information about the Group, its Board and its business, including the interim and annual 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 market and the Group's operations and 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 Chairman of the Remuneration Committee informs many investors and the principal investor advisory groups of the matters considered by the Committee and how the remuneration policy has been applied.

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.

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 the AGM and are available to answer shareholder questions. The Group Chief Executive also gives a presentation on the progress and performance of the Group prior to the formal business of the meeting.

Articles of Association

The Company's 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 Companies Act 2006 by way of special resolution at a general meeting.

LETTER FROM THE CHAIRMAN OF THE NOMINATION COMMITTEE



Dear Shareholder

Board changes

During the year under review Bob Davies stepped down from his positions of Non-Executive Director, Senior Independent Director and Chairman of the Remuneration Committee. The Nomination Committee assessed the skills of each of the Non-Executive Directors and recommended, to the Board, the appointments of Mark Rolfe and Richard Akers as Senior Independent Director and Chairman of the Remuneration Committee respectively. The Board subsequently endorsed these recommendations. In addition, the Nomination Committee, with the assistance of an external recruitment consultant, identified Nina Bibby as an additional Non-Executive Director to fill the skills gap identified by the members of the Board. Details of the recruitment process are set out on page 48 of this report.

Board performance evaluation

The last independent Board evaluation was carried out in respect of the 2009/10 financial year. In accordance with the requirements of the Code, the Nomination Committee, with the Board's approval, appointed Independent Board Evaluation ('IBE'), to undertake the evaluation of the Board and its Committees for the financial year ended 30 June 2013. The feedback from IBE concerning the work of the Nomination Committee was positive. The Nomination Committee will look to progress those areas where there is room for improvement, such as enhancing long-term succession planning, during the 2013/14 financial year. Further details of the Board evaluation process, findings and recommendations can be found on page 49 of this report.

Board composition

Rod MacEachrane has decided to step down from his position as a Non-Executive Director at the AGM to be held in November 2013 (the '2013 AGM') having served nearly eight years on the Board. Having reviewed the skills set and experience of each of the current Non-Executive Directors, the Nomination Committee was satisfied that the composition of the Board remained satisfactory and balanced and that the remaining Board members held a diverse range of skills, experience and background sufficient to drive the Board's strategy forward. Accordingly, the Nomination Committee concluded that a replacement for Rod was not necessary at this point in time. The Nomination Committee will continue to monitor the composition of the Board and recommend appointments (both Executive and Non-Executive) in the future as and when the needs of the business so require.

Bob Lawson

CHAIRMAN OF THE NOMINATION COMMITTEE

REPORT OF THE NOMINATION COMMITTEE

Committee membership

The membership of the Nomination Committee and the attendance at each of its meetings is set out in Table 2. 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.

Table 2 – Membership and attendance at Nomination Committee meetings

Nomination Committee	
Chairman: Bob Lawson	
Bob Lawson	3/3
Mark Clare	3/3
Bob Davies [^]	1/2
Richard Akers	3/3
Tessa Bamford	3/3
Nina Bibby*	1/1
Rod MacEachrane	3/3
Mark Rolfe	3/3

[^] Bob Davies explained the reasons for his absence and provided his views on the items of business to the Chairman prior to the meeting he was unable to attend. Bob stepped down from his position as a Non-Executive Director on 14 November 2012 and consequently ceased to be a member of the Nomination Committee as at that date.

* Nina Bibby joined the Board as a Non-Executive Director on 3 December 2012 and became a member of the Nomination Committee as at that date.

Note:

1 3/ Number of meetings attended whilst a Director; /3 Number of meetings held whilst a Director.

Activities undertaken during the 2012/13 financial year

The Nomination Committee met on three occasions during the year to consider:

- the structure, size and composition of the Board, having regard to the Board's balance of skills, experience, independence and knowledge;
- the appointment of Nina Bibby as a Non-Executive Director with effect from 3 December 2012;
- succession plans for Directors (including the Senior Independent Director) and senior executives;
- the refreshment of the membership of the Board and its Committees 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 Company to ensure the continued ability of the Group to compete effectively in the market;
- the implementation of a diversity policy relating to Board appointments;
- through performance evaluation, the time required from Non-Executive Directors to fulfill their duties; and
- recommendations to the Board on the authorisation of conflicts of interest of new and existing Directors.



The Nomination Committee operates within its terms of reference which can be found on the Company's website: www.barrattddevelopments.co.uk.

Board balance

At the end of the financial year, the Board comprised nine members, including the Chairman, five Non-Executive Directors and three Executive Directors. 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. In addition, the combination of the experience 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 thereby mitigating the risk of 'group think'.

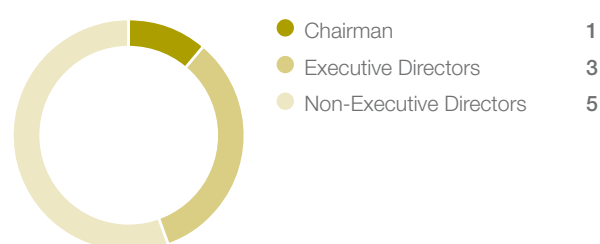
During the year the Nomination Committee assessed the individual and composite skill sets of the Non-Executive Directors and concluded that the Board would benefit from additional expertise in the area of digital marketing. Accordingly, it recommended the appointment of Nina Bibby, then Global Chief Marketing Officer of Barclaycard, due to her broad business experience and wealth of digital marketing expertise.

Board independence

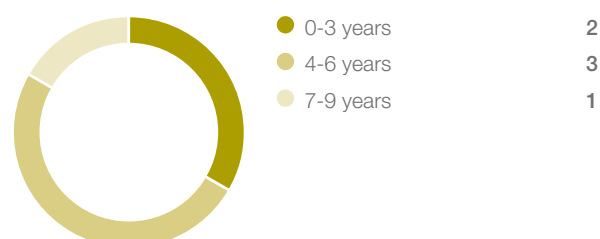
The Company recognises the importance of its Non-Executive Directors remaining independent throughout their appointment as this enables them to provide objective advice and guidance to the Executive Directors through the use of their wide business experience and diverse backgrounds. The Non-Executive Directors are also able to constructively challenge and scrutinise the performance of the Executive Directors and to satisfy themselves with the integrity of the financial information considered by the Board and provided to 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 Nomination Committee has, during the year, reviewed and confirmed to the Board, that it remains satisfied, that all of the Non-Executive Directors, including Nina Bibby (see page 50), 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 20 on page 78 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. During the year the Nomination Committee considered Bob Lawson's other significant commitments, his Non-Executive Chairmanship of Genus plc and his directorship of The Federation of Groundwork Trusts, and concluded that they do not impinge upon his availability to fulfil his duties to the Company. These commitments were also considered during the annual review of the effectiveness of the Chairman led by the Senior Independent Director and the same conclusion was reached.

Split of Directors



Non-Executive Directors' Tenure (including the Chairman)



Appointment and re-appointment of Non-Executive Directors

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. It then 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.

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.

During the year the Nomination Committee appointed the Zygus Partnership ('Zygus'), an independent external recruitment firm, to assist it throughout the recruitment process for a Non-Executive Director with expertise in digital marketing in order to enhance and complement the existing skill sets of the Board. Zygus does not have any other connections with the Group. Zygus provided the Nomination Committee with details of a number of potential candidates from varying backgrounds, with different skills and of both genders. A short-list of three candidates was identified and each of them was invited for an interview with the members of the Nomination Committee and subsequently all Directors. The merits of each candidate were assessed 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. It was this process that led to the appointment of Nina Bibby to the Board on 3 December 2012.

The letters of appointment of all 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 2013 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. Each Non-Executive Director confirms that he/she is able to allocate the time commitment required at the time of his/her appointment and thereafter as part of their individual annual effectiveness review undertaken by the Chairman.

Retirement and re-election of Directors

The Articles currently require Directors to submit themselves for re-election by shareholders at the first AGM following their initial appointment to the Board and thereafter at intervals of no more than three years. All Board members will, in accordance with the Code, stand for election or re-election (as applicable) by the shareholders at the 2013 AGM (with the exception of Rod MacEachrane (see page 47)) 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 the Nomination Committee, and the Board, are satisfied that they each 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 2013 AGM. These details illustrate the complementary diverse range of skill sets including general business, commerce, financial, housebuilding and digital marketing knowledge that Board members possess and apply to ensuring effective stewardship. Details of the Executive Directors' service contracts can be found in the Remuneration Report on page 64.

The Board recommends that shareholders approve the resolutions to be put forward at the 2013 AGM relating to the election and re-election of Directors.

Board performance evaluation

The Board performance evaluation cycle



The 2012/13 financial year board performance evaluation process



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 the last external consultant undertook the performance evaluation of the Board and its Committees for the 2009/10 financial year, the Board agreed in line with best practice and the Code, that it would, for the 2012/13 financial year, carry out the performance evaluation deploying an external facilitator. IBE were retained (from a shortlist of three candidates) to provide a full perspective on the Board's effectiveness. IBE have no other connections with the Company.

Areas covered by the evaluation

The Board evaluation process followed by IBE is shown in the diagram above. IBE's evaluation covered the performance of the Board and its Committees on various areas, including:

- contribution to strategy and shareholder accountability;
- risk management;
- financial and operating reporting;
- succession planning (including diversity);
- inter-relationships between the Board and its Committees; and
- Board Committees and decision making.

Key findings

A comprehensive analysis was presented by IBE to the Board. The findings were positive in terms of Board culture, governance and compliance, and shareholder communication. IBE's principal recommendations were aimed at streamlining the papers and presentations made to the Board to allow more time for the Board to focus on the medium to long-term strategy of the Group, particularly as the market continues to improve.

Focus areas for 2013/14

The Board and each of its Committees have already begun to make progress in implementing the recommendations made by IBE and the Board will, with the assistance of the Nomination Committee, conclude the review against these objectives during the 2013/14 financial year. Additionally, the Board will continue to focus on risk management and succession planning during the 2013/14 financial year.

Progress with 2011/12 focus areas

During the year the Board and its Committees addressed all the issues raised as part of the 2011/12 performance evaluation process, including enhancing training and development and increased emphasis on strategy development.

Evaluation of the Chairman and Non-Executive Directors

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. There were no issues of any substance arising from the review of the Chairman's performance and there was unanimous support for him. In addition, the Chairman met with each Director individually to discuss their contribution to the Board and their performance as Directors during the year under review.

Induction

The Nomination Committee, under the stewardship of the Chairman, ensures that on joining the Company, each new Director participates in a full and formal induction process. Nina Bibby took part in this process which included health and safety training, site visits, meetings with all Board members and key external advisers and senior and operational management teams across the business. Nina was also provided with an induction pack containing general and specific information relating to her role such as a schedule of meetings, copies of Board minutes and various policies and procedures, details of her duties as a director of a listed plc and other obligations under the various regulations governing the Company. In addition, all new Directors attend the Directors' Forum hosted by Spencer Stuart, which provides them with the opportunity to enhance their boardroom skills through the sharing of knowledge and best practice with fellow directors from various industries.

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. In January 2013 the Board discussed the Group's growth plans and a number of strategic issues including mortgage availability, customer demand, planning issues, land supplies and Government programmes. The review is increasingly focusing on the medium and long-term issues impacting the demand for the provision of homes.

The Nomination Committee ensures that Directors continue to update their skills, knowledge and familiarity with the Company by attending appropriate external seminars and training courses, meeting with senior management and visiting regional and divisional operating offices and sites collectively and individually. During the year under review, Directors received presentations and updates on matters such as key accounting issues, narrative reporting, changes to the Code and the new reporting requirements on executive remuneration. The Chairman regularly reviews training requirements and annually agrees development needs with individual Directors.

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 Articles were amended at the AGM 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 he 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.

Prior to the appointment of Nina Bibby as a Non-Executive Director, the Nomination Committee considered the fact that Nina was the then Global Chief Marketing Officer of Barclaycard. At that point, the Nomination Committee confirmed to the Board that it was satisfied that Nina Bibby is not conflicted and is independent, a conclusion that the Board endorsed. In May 2013, Nina Bibby resigned from her position at Barclaycard to take up an opportunity with O2 as their Marketing and Consumer Director which will commence in November 2013. The Nomination Committee considered this new position and concluded that there was no conflict of interest.

Diversity

The Nomination Committee continues to review the recommendations on gender diversity contained within Lord Davies' report, 'Women on Boards', as part of its annual effectiveness exercise. The Nomination Committee's primary goal remains 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 also 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. The Group's policy on diversity relating to Board appointments, as adopted by the Board during the 2011/12 financial year, can be found on the Company's website www.barrattdevelopments.co.uk. The Nomination Committee and the Board recognise 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 2013, the aggregate representation of women on the Board was 22% (two out of nine directors and one-third of the Non-Executive Directors (including the Chairman)). Table 3 shows the number of men and women employed, as at 30 June 2013, across the Group split between PLC Directors, Senior Managers and Employees:

Table 3 – Gender split

	Men (No.)	%	Women (No.)	%	Total
PLC Directors (Executive and Non-Executive)	7	78	2	22	9
Senior Managers	230	89	29	11	259
Employees	3,158	67	1,577	33	4,735
Total workforce	3,395	68	1,608	32	5,003

LETTER FROM THE CHAIRMAN OF THE AUDIT COMMITTEE



Dear Shareholder

In accordance with the Board's decision that all Non-Executive Directors should sit on each of the Board's Committees, Richard Akers and Tessa Bamford joined the Audit Committee with effect from 1 July 2012 and Nina Bibby on 3 December 2012 following her appointment to the Board on the same date. Table 4 shows each of the members throughout the 2012/13 financial year. The Audit Committee therefore comprises of members with an appropriate blend of skill sets to complement the financial expertise which was already present amongst Audit Committee members, enabling an enhanced business and commercial focus and a broader contribution to the Committee's programme of work.

I can confirm that, in accordance with Code provision C.3.1, each of the members is considered to be independent and the Board is satisfied that I have recent and relevant financial experience.

Given the change in membership of the Audit Committee, it was seen as a good opportunity to provide the members with enhanced training surrounding the key issues faced by the Audit Committee and how each of these was monitored and assessed throughout the Group. Accordingly, led by the Group Financial Controller and supported by the Chief Internal Auditor and by our external auditor, Deloitte LLP ('Deloitte'), two training sessions for members of the Audit Committee took place in February and April. These provided an additional insight into the areas of revenue recognition; recoverability of equity share assets; joint ventures; impairment of land and work in progress ('WIP'); impairment of goodwill and intangible assets; and taxation. Separately, the Audit Committee received a presentation from the Group General Counsel and Company Secretary on the changes to the Code, narrative reporting and the progress with the Sharman review on going concern.

The Audit Committee met on five occasions during the financial year and completed its annual work programme in full. Attendance at each of these meetings is set out in Table 4. In addition to the Group General Counsel and Company Secretary, representatives from Deloitte and the Chief Internal Auditor, attended each of the Audit Committee meetings and met with the Committee independently of management and the Chairman of the Board. The Group Chief Executive, the Group Finance Director and other members of senior management also attended meetings (or parts thereof), by invitation, as required. The following section details the work undertaken by the Audit Committee in respect of the 2012/13 financial year.

Mark Rolfe

CHAIRMAN OF THE AUDIT COMMITTEE

REPORT OF THE AUDIT COMMITTEE

The membership of the Audit Committee and attendance at each of its meetings is set out in Table 4.

Table 4 – Membership and attendance at Audit Committee meetings

Audit Committee	
Chairman: Mark Rolfe	
Bob Davies*^	1/3
Richard Akers^	4/5
Tessa Bamford^	4/5
Nina Bibby**	2/2
Rod MacEachrane	5/5
Mark Rolfe	5/5

^ Bob Davies, Richard Akers 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.

* Bob Davies ceased to be a member of the Audit Committee on 14 November 2012 when he stepped down from his positions of Non-Executive Director and Senior Independent Director.

** Nina Bibby joined the Board as a Non-Executive Director on 3 December 2012 and became a member of the Audit Committee with effect from the same date.

Note:

1 5/ Number of meetings attended whilst a Director; /5 Number of meetings held whilst a Director.

Activities undertaken during the 2012/13 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 2012/13 financial year:

- assessed 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 explored 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;
- considered 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 assessed 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
- considered the 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 those procedures.

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; key internal control policies, including treasury, anti-bribery and whistleblowing; the Auditor and Non-Audit Fees policy; and the external audit plan and associated reports.

Key issues reviewed by the Audit Committee

The Committee considered a number of key issues during the year including:

- the assumptions relating to the going concern basis of reporting of the financial statements, including reviewing the Group's three-year plan, liquidity and financial covenant cover and management's sensitivity analysis and mitigation plans;
- critical accounting judgements (detailed in the financial statements on pages 99 to 101) in relation to goodwill, land and WIP impairment; and the provisioning required against the Group's available for sale financial assets;
- Directors' judgements that the exceptional items, detailed in note 3 of the financial statements on page 103, are non-recurring and by their nature warrant exceptional classification;
- reports from Deloitte and management to ensure that: the ratio of audit to non-audit services provided during the 2012/13 financial year was within the Audit Committee's guidelines; Deloitte had performed its services in accordance with its charter; and none of the non-audit services provided any threat to Deloitte's independence; and
- participation in two training sessions during the year, facilitated by the Group Financial Controller, Chief Internal Auditor and Deloitte upon material areas of accounting judgement and key accounting policies of the Group and received regular updates upon governance related issues from the Group General Counsel and Company Secretary and Deloitte.

Audit Committee effectiveness

During the year, IBE facilitated a review of the effectiveness of the Audit Committee, the outcome of which was generally positive.

How the Audit Committee discharged its responsibilities throughout the 2012/13 financial year

1. Integrity of financial reporting

The Audit Committee reviewed the integrity of the financial statements of the Group and the Company and all formal announcements relating to the Group's and Company's financial performance. This process included the review and debate over the following areas of significance in relation to the integrity of financial reporting and took into account the views of Deloitte.

i) Land and WIP valuation

The Audit Committee reviewed the judgements made in respect of land and WIP valuation. This review involved detailed consideration of the assumptions made upon specific sites and in the context of the current UK housing market.

The Audit Committee agreed with the judgements made by management and concluded that the valuation of our land and WIP remains appropriate.

ii) Going concern

The Audit Committee assessed the Group's available facilities, headroom and banking covenants. The Audit Committee also reviewed management's detailed analysis, which included forecasts and adjustments for downturns in the housing market.

The Audit Committee is satisfied that the going concern basis of preparation continues to be appropriate in the context of the Group's funding and liquidity position.

iii) Annual goodwill and brand impairment review

The Audit Committee considered the judgements made in relation to the valuation methodology adopted by management and the model inputs used.

The Audit Committee also reviewed and approved sensitivities used by management which were consistent with the 2011/12 financial year and 'a reasonably possible' change to model inputs including related disclosure, as required by IAS 36.

iv) Available for sale financial assets

The Audit Committee reviewed the judgements made in respect of the valuation of our available for sale financial assets. This review involved detailed consideration of the assumptions made including the estimation of the market value of properties at the forecast redemption date and the determination of a suitable discount rate. They also considered the appropriateness of our valuation in the context of the monetisation of some of the Group's equity share portfolio which was concluded in the financial year under review.

The Audit Committee agreed with the judgements made by management and concluded that the valuation of our available for sale financial assets remains appropriate.

v) Taxation

The Audit Committee reviewed the appropriateness of the continued recognition of our deferred tax asset and agreed with management's judgements, concluding that the continued recognition of this asset remains appropriate.

2. The effectiveness of internal controls and the risk management process

The Board believes that effective risk management is critical to the achievement of our strategic objectives. On behalf of the Board, the Audit Committee reviewed the effectiveness of risk management and internal controls in relation to material financial risks and reviewed a number of process improvements during the year. The Audit Committee is pleased with the progress made to date, and recognises that work will need to be continued in these areas during the 2013/14 financial year.

In the year the Audit Committee:

- spent time with management below Board level to understand risks and controls in a number of areas of the business including: commercial and construction controls; management changes; and customer service;
- reviewed in detail the output of the biannual controls certification process;
- considered all whistleblowing reports and actions;
- reviewed all internal audit results and action plans; and
- received updates from the Risk Committee and agreed future areas of focus.

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. 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 2013 and up to the date of this Annual Report and Accounts, 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 (see page 44 of the Corporate Governance Report), 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 for assessing individual key risks on a rolling basis. During the year the Risk Committee reviewed and updated its terms of reference in order to enhance their alignment with the responsibilities of the Audit Committee in respect of internal controls and risk management.

The structure deployed by the Group when assessing risks is set out in Managing Risk on pages 34 to 39 of the Business Review. 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 management of risk system utilised and the principal risks and uncertainties and their relevance to the operations and financial performance of the Group are set out in Managing Risk on pages 34 to 39 of the Business Review. Amongst other matters, the risks reviewed by management and the Board include:
 - economic environment, including housing demand and mortgage availability;
 - land purchasing;
 - liquidity;
 - attracting and retaining high calibre employees;
 - availability of raw materials, subcontractors and suppliers;
 - Government regulation and planning policy;
 - construction and new technologies;
 - joint ventures and consortiums;
 - health and safety; and
 - IT; and
- iv) assessment of compliance with internal control and risk management systems. This assessment 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. It includes full divisional audits and targeted audits of key risk areas such as the land viability process, land acquisition control and monitoring, WIP 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 borrowing and debt profiles, market prices, credit risks, liquidity risks and interest rates. The most significant of these to the Group is liquidity risk. 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 and currency rates. The Group does not use derivative financial instruments for speculative purposes. Such activities are delegated, by the Board, 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, in accordance with approved treasury policies, 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 the internal control systems, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, a confirmation of necessary actions has not been considered appropriate.

In addition, the management teams of all operating divisions identify key risks in their monthly management reports to the Executive Committee and complete a control self-assessment twice a year in which they confirm that they have applied appropriate levels of control. The Audit Committee, as a standing agenda item every six months, reviews the risk framework to determine if the system of internal control remains effective and report on their findings to the Board when considering the draft interim and full year financial statements. During the year under review, the Executive Committee prioritised the risk framework by identifying the risks considered most significant to the Group. For each of the risks 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.

3. Whistleblowing

Whistleblowing is a standing agenda item for every Audit Committee meeting. The Chief Internal Auditor updates the Audit Committee regularly on any new whistleblowing incidents, on-going investigations and the outcome of any completed investigations. The Audit Committee assesses the adequacy of the Group's whistleblowing policy in accordance with the requirements of the Code as part of this process. The Group's whistleblowing policy is supported by a robust 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 telephone number (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, and at his sole discretion can seek guidance from appropriate individuals within the Group, such as the Group General Counsel and Company Secretary, as and when he deems necessary.

4. Review of accounting policies

The Audit Committee considered and agreed all proposed changes to the Group's accounting policies and discussed these with management and Deloitte.

5. External auditor

i) Re-appointment of auditor

The Audit Committee took into account feedback on the effectiveness of the external audit from divisional, regional and Group Management who were closely involved in both the interim and year end reporting process, when considering the re-appointment of Deloitte as the auditor to the Company. 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, Mark Goodey replaced Graham Richardson as lead audit partner for the 2013 financial year, having been selected, after consideration of and interview of the short-listed candidates in July 2012. Mr Goodey will continue as lead audit partner until the conclusion of the 2017 audit. As part of the transition in audit partner, Mr Goodey undertook a review of the external audit arrangements across the Group, including a review of the audit approach and the skills and experience of the audit team, and presented his audit plan to the Audit Committee. After due consideration, the Audit Committee concluded that it was not necessary to consider a tender process this year. Taking into account the refreshment of the audit partner and senior team, combined with Deloitte's objectivity and independence; Deloitte's performance against the audit plan for the 2012/13 financial year; and the quality of advice and assistance brought to bear and received throughout the year, the Audit Committee concluded that Deloitte's performance as auditor to the Company continues to be satisfactory. Accordingly, it recommended to the Board that a resolution re-appointing Deloitte as the auditor to the Company be proposed at the 2013 AGM. That recommendation was subsequently endorsed by the Board. There are no contractual obligations which restrict the Audit Committee's choice of external auditor.

During the year under review, the Audit Committee has noted the revisions to the Code introduced by the Financial Reporting Council ('FRC') in September 2012 and, in particular, the requirement to put the external audit out to tender at least every ten years, including a suggestion that the tendering should normally align with the five-yearly cycle of partner rotation. Given that the audit was put out to tender in 2007 and Mr Goodey's recent appointment, the Committee will assess its tendering arrangements towards the conclusion of Mr Goodey's period in office, or earlier if it has reason to do so.

ii) Auditor objectivity, audit effectiveness and independence

During the year, the Audit Committee assessed the effectiveness of the external audit and concluded that the audit process as a whole had been conducted robustly and that the team selected to undertake the audit had done so thoroughly and professionally. In coming to this conclusion the Audit Committee reviewed amongst other matters:

- Deloitte's fulfilment of the agreed audit plan and the absence of any variations from it;
- reports highlighting the material issues and accounting judgements that arose during the conduct of the audit;
- feedback from Group and Regional management finance functions and the Chief Internal Auditor evaluating the performance of the audit; and
- the report from the FRC's Audit Quality Review Team.

iii) Auditor independence and non-audit fees policy

The Audit Committee formally 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 to 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, fairness opinions, or contributions-in-kind;
- actuarial services;
- internal audit outsourcing services;
- management functions or human resources;
- broker or dealer, investment adviser, or investment banking services;
- legal services and expert services unrelated to the audit; and
- executive recruiting.

Under the Policy the Company is required to, and does, obtain written confirmation from Deloitte that they remain independent on an annual basis. Deloitte have also provided a comprehensive report to the Audit Committee verifying that they have performed their audit and audit related services in line with independence requirements and assessing why Deloitte believe they remain independent within the requirements of the applicable regulations and their own professional standards, which were conclusions that the Audit Committee endorsed. In reaching these conclusions the Audit Committee reviewed, amongst other matters, the:

- changes in senior audit personnel in the audit plan for the current year;
- report from Deloitte describing their arrangements to identify, report and manage any conflicts of interest;
- extent of the non-audit services provided by Deloitte; and
- the ratio of audit to non-audit fees more generally.

iv) Non-audit services

The Audit Committee, while being satisfied that the ratio of audit to non-audit fees for the 2012/13 financial year was within the guidelines contained within the Policy, considered this area carefully given that the non-audit fees excluding audit-related assurance services were almost equal to the audit fees including the audit-related assurance services incurred by the Group for the same period. Details of the audit related and non-audit fees incurred by the Group can be found on page 104.

The Audit Committee discussed the level of non-audit fees in detail with the Group Finance Director to gain an understanding of their nature and the rationale for engaging Deloitte. The Audit Committee noted that the majority of the non-audit fees related to audit-related assurance services which principally comprise the review of the Group's interim report, taxation compliance (for which Deloitte were appointed on 1 December 2010 following a competitive tender process in which four of the leading audit firms took part), and also taxation advice upon the Group's refinancing, new joint ventures and various land acquisitions and disposals during the year. Accordingly, the Audit Committee was satisfied that the work performed by Deloitte was appropriate in the context of ensuring their independence as auditor, particularly given that the audit-related assurance services, which principally comprise the review of the Group's interim report, can only be conducted by

the Group's auditor and that the tax advisory services had been managed by a partner who has no involvement with the audit of the Group. Consequently, the Audit Committee concluded that the level of non-audit fees was justified and did not raise any concerns in terms of Deloitte's independence as auditor to the Group. Deloitte have also confirmed, in writing, that they are in agreement with this conclusion.

In addition to tax advisory services, the Audit Committee also considered a recommendation from management for Deloitte to provide advice relating to the accounting treatment associated with the Group's refinancing and the sale of part of the Group's equity share portfolio to Rose Shared Equity LLP. Deloitte confirmed that these services did not involve taking on a management role and posed no conflict to their audit independence. The Audit Committee was therefore satisfied that this work did not impact Deloitte's independence and agreed for them to undertake the work.

The Audit Committee confirms 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.

REMUNERATION COMMITTEE

The full report of the Remuneration Committee is set out on pages 57 to 78. In summary, the Remuneration Committee met on five occasions during the financial year. Attendance at each of these meetings is set out in Table 5. The full terms of reference for the Remuneration Committee are available from the Company's website www.barrattddevelopments.co.uk.

Committee membership

Richard Akers took over as Chairman of the Remuneration Committee from Bob Davies on 14 November 2012 and Nina Bibby joined as a member on 3 December 2012. All members of the Remuneration Committee, as set out in Table 5, are considered by the Company to be independent in accordance with Code provision D.2.1.

Table 5 – Membership and attendance at Remuneration Committee meetings

Remuneration Committee	
Chairman: Richard Akers	
Bob Lawson	5/5
Bob Davies*	3/3
Richard Akers*	5/5
Tessa Bamford	5/5
Nina Bibby**	2/2
Rod MacEachrane	5/5
Mark Rolfe	5/5

* Richard Akers took over as Chairman of the Remuneration Committee on 14 November 2012 when Bob Davies stepped down from his positions of Non-Executive Director, Senior Independent Director and Chairman of the Remuneration Committee.

** Nina Bibby joined the Board as a Non-Executive Director on 3 December 2012 and became a member of the Remuneration Committee as at that date.

Note:

1 5/ Number of meetings attended whilst a Director; /5 Number of meetings held whilst a Director.

Activities undertaken in respect of the 2012/13 financial year

The Remuneration Committee undertook the following activities in respect of the 2012/13 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 together with the Group's severance arrangements for directors and senior management;
- 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;
- undertook consultations with institutional investors on remuneration policy and other aspects of senior remuneration, as appropriate; and
- considered the conclusions of the Department for Business, Innovation and Skills' review on Executive Directors' remuneration and the new mandatory reporting requirements.

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 for appointing consultants to advise on executive remuneration. Details of the consultants utilised during the 2012/13 financial year can be found on page 67 of the Remuneration Report.

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 13, the Group Finance Director's Review on pages 30 to 33 and the Business Review on pages 18 to 29. The material financial and operational risks and uncertainties that may have an impact upon the Group's performance and their mitigation are outlined on pages 34 to 39 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 26 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 Managing Risk section on pages 34 to 39, factors that particularly affect the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for the Group's customers and interest rates.

On 14 May 2013, the Group agreed a comprehensive refinancing package. This provides the Group with around £850m of committed facilities and private placement notes to June 2016 and £650m to May 2018. The committed facilities and private placement notes now in place provide appropriate headroom above our current forecast requirements. In addition, in order to enable it to take advantage of current opportunities in the land market, the Group has agreed terms upon an additional £50m two year term loan, which we expect to be available from 1 October 2013.

In addition to the new borrowing facilities agreed in May 2013, the Group has secured £30m of financing from the Government's 'Get Britain Building' and 'Growing Places Fund' schemes during the year. These funds are repayable between 30 June 2014 and 30 June 2018.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, 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

Details of the post balance sheet events can be found on page 144 of this Annual Report and Accounts.

On behalf of the Board

Tom Keevil

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

REMUNERATION REPORT

LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE



Dear Shareholder

I am pleased to present my first Directors' Remuneration Report for the financial year ended 30 June 2013 (the 'Remuneration Report') on behalf of the Remuneration Committee (the 'Committee'). We will, as in previous years, be seeking an advisory vote for the Remuneration Report at the Company's 2013 Annual General Meeting (the '2013 AGM'). After taking over as Chairman of the Committee in November 2012, I commissioned New Bridge Street ('NBS') to undertake a review of the Company's remuneration policy (the 'Remuneration Policy') in order for the Committee to assess whether it: (i) continued to be aligned to the Group's strategic objectives of increasing profitability; maintaining an appropriate capital structure; and improving the return on capital employed ('Our Strategic Objectives'); and (ii) reflected the current economic environment. This review was undertaken during the first quarter of 2013 and took into account remuneration guidance, views of major institutional shareholders and the themes arising from the review of executive remuneration by the Department for Business, Innovation and Skills ('BIS') and the regulations proposed by BIS, which were subsequently published in final form in June 2013 (the 'BIS Regulations').

Remuneration policy

After analysis at its April 2013 meeting, the Committee concluded that the Remuneration Policy remains appropriate and continues to align the fixed and variable elements of Executive remuneration with Our Strategic Objectives. Details of how the Committee sets Executive Director and Senior Management remuneration, the key elements of Executive Director and Senior Management remuneration and pension arrangements can be found on the following pages of this report.

Factors considered by the Committee when assessing Executive remuneration

In assessing Executive remuneration for the 2012/13 financial year, the Committee took account of the following factors, reflecting management actions during the year:

- the increase of operating profit before exceptional items by 32.2% to £252.7m (2012: £191.1m) and of profit before tax and exceptional items by 73.7% to £192.3m (2012: £110.7m). The launch of the Help to Buy scheme on 1 April undoubtedly assisted 2013 sales, however its impact was restricted to the final quarter of the financial year;
- total completions (including joint ventures) of 13,663 (2012: 12,857);
- continued progress with reduction in the Group's net debt from £167.7m at 30 June 2012 to £25.9m at 30 June 2013, reflecting the timing of land payments and a higher level of year end completions;
- the progress in transforming the Group's land bank. The Group has approved the purchase of 18,536 plots (2012: 12,085 plots) with a value of £1,047.3m (2012: £578.1m). Focusing upon maximising return on capital

employed, the Group has achieved 3.4 years' supply of owned land and one year's supply of land contracts conditional on planning;

- the standard of build quality and customer satisfaction delivered. During the year, the Group received 102 awards for quality workmanship in the annual National House-Building Council ('NHBC') 'Pride in the Job' Awards. This is the highest number ever won by a single housebuilder and the ninth consecutive year our site managers have gained more awards than any other housebuilder. The Group also achieved the maximum 5 Star rating from the Home Builders Federation for a fourth consecutive year;
- health and safety performance. All divisions within the Group achieved the 93% benchmark that site managers must meet under our proactive safety, health and environment auditing matrix. There were further reductions in our Reportable Injury Incidence Rate and we achieved the NHBC National Best Health and Safety Award for a multi-storey site;
- the comprehensive refinancing package has put in place committed borrowing facilities of circa £850m, with maturities ranging from 2016 to 2021. While the refinancing costs form the principal element in exceptional costs of £87.5m this year, moving forward the underlying average interest rate (excluding historic interest rate swaps) is reduced to approximately 4.5%; and
- the monetising of part of the Group's equity share portfolio, raising £33.7m, which has enhanced the Group's liquidity and land buying abilities.

In addition, the Committee took into account the intention of the Board to propose, to shareholders, at the 2013 AGM a conservatively set final dividend in respect of the 2012/13 financial year, while reiterating its target of a three times dividend cover for the financial year ending 30 June 2016.

After taking all these factors into account, the Committee concluded that for the 2012/13 financial year management actions have delivered excellent progress in delivering Our Strategic Objectives across all operating metrics and have placed the Company in a strong position for the future. The Committee also factored into its assessment that some of these outcomes (e.g. build quality, customer satisfaction and the health and safety performance), together with the Total Shareholder Returns ('TSR') and Earnings per Share ('EPS') performances of the Company since 2010, have created a longer term and sustained management focus. Having done so, the Committee reached the following decisions in respect of remuneration for the 2012/13 and 2013/14 financial years.

Base salary

Following a benchmarking exercise undertaken by NBS, the Committee concluded that the level of base salaries for Executive Directors and those individuals directly below this level (the 'Senior Management') remains appropriately positioned in the market. Accordingly, salary increases for the 2013/14 financial year have been limited to 2.5% for Executive Directors and Senior Management in line with the increase awarded to all managers across the Group. This increase is slightly lower than the 3% increase awarded to all employees below manager level.

Non-Executive Directors' fees

Non-Executive Directors' base annual fees were increased from £40,000 to £48,000, with effect from 1 July 2012, in recognition of the additional time commitment expected from them following the Board's decision that they should all sit on each of its committees. Bob Lawson declined any review of the Chairman's fee and the additional fees paid to the Chairs of the Audit and Remuneration Committees (£10,000)

and the Senior Independent Director (£5,000) remained unadjusted. The Board has agreed that no fee increases will be awarded to any Non-Executive Directors, including the Chairman, for the 2013/14 financial year. I can confirm that Non-Executive Director fees remain well within the limit previously approved by shareholders and contained within the Company's Articles of Association.

2012/13 Annual bonus

In July 2012 when the Committee was setting the objectives for the annual bonus, budgeted profit before tax and exceptional items was around £155.0m. Accordingly, the Committee established a target level of £155.0m, with a minimum profit before tax threshold for the bonus at £145.0m and a maximum threshold of £175.0m. Taking account of the factors summarised above, in particular the Group's significant improvement in profit before tax and exceptional items (which determined 66.7% of the total bonus for the year), reduction in net debt and the individual contributions of all senior managers within the Group to achieving strong results across all operating metrics, the Committee, in exercising its over arching discretion in relation to bonus awards, concluded that a bonus award of 150% of base salary for Executive Directors (after taking into account adjustments for the value of land and the achievement of personal objectives) was justified. Any bonus earned in excess of 100% of base salary will be deferred into shares for a period of three years and will be subject to a continued employment performance condition.

2013/14 Annual bonus

For the 2013/14 financial year, the maximum bonus potential for Executive Directors has been maintained at 150% of base salary with any award over 100% of salary being deferred into shares in the Company for a period of three years subject to a continued employment condition. Thereafter, the requirements of continued share ownership of at least one times salary will apply. The payment for on-target performance will, as per the 2012/13 financial year, remain at 50% of the maximum potential. Details of the performance measures and the weightings against each of them, including the penalties for under-performance against health and safety and customer satisfaction targets can be found on pages 68 and 69 of this Remuneration Report. In addition, there will be an increased focus upon maximising return on capital employed and the achievement of a target of 3.5 years' supply of owned land and one year's supply of land contracts conditional on planning.

Long-Term Performance Plan ('LTPP')

2013/14 LTPP Award

Consistent with the approach taken last year, the Committee intends to make awards to Executive Directors and Senior Management under the LTPP during the 2013/14 financial year (the '2013/14 LTPP'). The level of the award to be granted will continue to be no more than 200% for the Executive Directors. In the case of other participants, awards will be up to 150% of base salary unless there are exceptional individual circumstances, such as planned Board succession or truly exceptional sustained delivery during a plan period by an individual. In such cases, the Committee retains the discretion to increase a contingent award up to 200%. These awards will be subject to a TSR performance target, to be measured over a three-year performance period commencing 1 July 2013, and an EPS performance target for the financial year ending 30 June 2016. Further details on the 2013/14 LTPP can be found on page 69 of this Remuneration Report.

Vesting of 2010/11 LTPP Award

The performance period for the award made in October 2010 (the

'2010/11 LTPP') ended on 30 June 2013. The 2010/11 LTPP was subject to two performance conditions, TSR and EPS, each representing 50% of the award. 100% of the TSR element vests on the attainment of performance which is in the upper quartile or above, 25% vests at median and where performance is in between these points, the TSR element vests on a straight-line basis. In respect of the EPS element, 100% of this element vests on the attainment of an EPS target of 25 pence per share or higher for the financial year ended 30 June 2013, 25% vests at 10 pence per share and for performance achieved between 25% and 100%, vesting is on a straight-line basis.

Both performance conditions were tested after the financial year end. The TSR of the Group was in the upper quartile compared to the performance of the comparator group comprising the constituents of the FTSE 250 (excluding investment trusts) and therefore 100% of this element will vest. In terms of the EPS, the Group achieved adjusted basic EPS of 14.6 pence per share (basic EPS 7.7 pence per share) and accordingly 47.8% of the EPS element will also vest. The participants of the 2010/11 LTPP will therefore receive 73.9% of the award granted to them in October 2010. The award vests in October 2013 and the relevant number of shares will be issued to the participants at that point.

Service contracts

During the year the Committee tasked the Group General Counsel and Company Secretary with reviewing the service contracts for Executive Directors and Senior Management to ensure that they were up to date and compliant with developments in Company and Employment law.

Governance and Shareholder consultation

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

The Committee will consider both the shareholders' vote on the report and views expressed by shareholders on the detail of this report at the 2013 AGM in determining future remuneration policy for all employees.

To provide our shareholders with the opportunity to familiarise themselves with, and to provide feedback on, our proposed approach to reporting on remuneration in respect of the 2013/14 financial year when the BIS Regulations become mandatory for the Group, we have restructured the contents of this report to reflect the 'Directors' Remuneration Policy' and 'Annual Report on Remuneration' requirements.

I hope that you will be able to support the Committee's policy and Remuneration Report at this year's AGM.

RICHARD AKERS

CHAIRMAN OF THE REMUNERATION COMMITTEE

DIRECTORS' REMUNERATION POLICY

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 fixed and variable remuneration elements are simple, transparent and aligned with the interests of shareholders and designed to reflect the views of our investor shareholder bodies and other stakeholders.

Remuneration strategy

The Group's current Remuneration Policy aims to:

- attract, retain, motivate and competitively reward Executive Directors and Senior Management with the experience, skills and ability to support the achievement of the Group's key strategic objectives in any financial year;
- be fully aligned with the performance and strategic objectives of the Group applicable for any financial year;
- reflect the interests and expectations of shareholders and other stakeholders;
- take account of pay and employment conditions of employees across the Group;
- reward the sustained growth and profitability of the business, the maintenance of an appropriate capital structure and improve the return on capital employed by the business;
- ensure that exceptional performance against challenging targets is adequately rewarded;
- ensure Executive Directors and Senior Management maintain a long-term focus by deferring any bonus earned in excess of 100% of base salary into shares for a minimum of three years and also by requiring Executive Directors to maintain a significant shareholding in the Company;
- conform to market-leading best practice and regulations;
- encourage management to adopt a level of risk which is in line with the risk profile of the business and as approved by the Board; and
- ensure that there is no reward for failure; that termination payments are limited to those (if any) that the Executive Director is contractually entitled to; and in exercising its discretion, the Committee robustly applies the 'good' and 'bad' leaver provisions as defined in the rules of each of the share schemes operated by the Group.

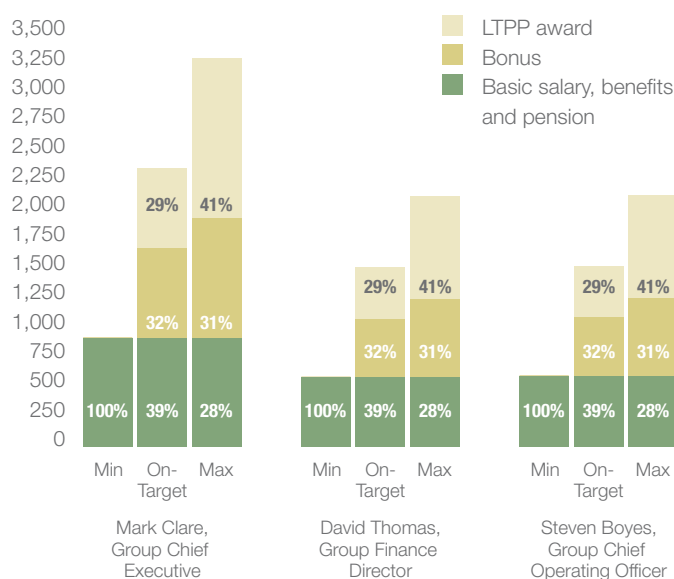
Performance scenario charts – fixed and variable pay

The Group's policy seeks to ensure that a substantial proportion of Executive Directors' remuneration is performance related and that enhanced rewards are only paid for exceptional performance. The chart below shows how the composition of each of the Executive Directors' remuneration packages varies at different levels of performance achievement for the 2013/14 financial year.

Chart 1: Executive Directors' potential remuneration

Value of remuneration packages at different levels of performance

£000



Assumptions:

1. **Benefits** – the value receivable in the 2013/14 financial year is taken to be the value received in the 2012/13 financial year as disclosed in the Directors' emoluments table on page 70 of this Remuneration Report;
2. **Bonus** – the on-target level of bonus is taken to be 50% of the maximum bonus opportunity. No share price appreciation has been assumed for the deferred share amount payable at maximum bonus; and
3. **LTPP Award** – the on-target vesting level is taken to be 50% and the maximum value is taken to be 100% of the face value of the award at grant. No share price appreciation has been assumed.

Elements of Executive Directors' total remuneration package

The Executive Directors' total remuneration package is made up of the following components:



The following table sets out a summary of the Company's Executive Directors' remuneration package and Non-Executive Directors' fee policy. A description of how the Company intends to implement the policy set out in this table for the 2013/14 financial year can be found on page 68 of this Remuneration Report.

ELEMENT OF PAY	Base salary	Taxable benefits
PURPOSE AND LINK TO COMPANY'S STRATEGY	To attract and retain high-calibre Executive Directors and Senior Management required to implement the Group's strategy. To provide a competitive salary relative to comparable companies in terms of size and complexity.	To help attract and retain high-calibre Executive Directors and Senior Management and to remain competitive in the market place.
HOW OPERATED IN PRACTICE	Reviewed annually and takes effect from 1 July. Review takes into consideration: (i) individual responsibilities, skills, experience and performance; (ii) salary levels for similar positions in other major housebuilders and other companies considered comparable by reference to market capitalisation; (iii) the level of pay increases awarded across the Group (with the exception of promotions); (iv) economic and market conditions; and (v) the performance of the Group. Salaries are paid monthly in arrears in cash. The Executive Directors' base salaries for the 2013/14 financial year can be found on page 69 of this Remuneration Report.	Benefits include: • Company car; • Annual medical screening; • Private medical insurance; • Some telephone costs; and • Contributions towards obtaining independent tax advice.
MAXIMUM OPPORTUNITY	There is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader UK employee population but on occasions may need to recognise changes in the role and/or duties of a Director.	N/A
DESCRIPTION OF PERFORMANCE METRICS	N/A	N/A
CHANGE TO POLICY	No change.	No change.

Pension	Annual bonus
To help attract and retain high-calibre Executive Directors and Senior Management and to remain competitive in the market place.	To motivate and reward Executive Directors and Senior Management for the achievement of demanding financial objectives and key strategic measures over the financial year. The performance measures set are stretching whilst having regard to the nature and risk profile of the Company and the interests of its shareholders. Variable remuneration allows the Group to manage its cost base by giving it the flexibility to react to changes in the market and any unforeseen events.
Executive Directors can elect to either: - participate in the Company's money purchase scheme; or - receive a salary supplement. Executive Directors are also eligible to an insured lump sum of up to five times pensionable salary on death in service.	The Committee sets the performance targets on an annual basis prior to the commencement of the forthcoming financial year. Group and individual performance against these targets is measured at the end of the financial year and the level of bonus payable is calculated at that point. Bonuses up to 100% of base salary are paid in cash. Any bonus earned in excess of this (up to a maximum of 50% of base salary) is compulsorily deferred into shares for a period of three years, subject to a continued employment condition. Deferred shares may be forfeitable if an individual leaves prior to the release date. Deferred shares do not accrue dividends. Clawback may apply to both the cash and deferred element of the bonus, in the event of material misconduct and/or material misstatement or error of financial results. 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 Senior Management to ensure that remuneration structures do not inadvertently motivate irresponsible behaviour. As a result, part of the bonus outturn may be forfeited in the event of under-performance in respect of customer service and health and safety performance targets. Annual bonus is not pensionable.
30% of base salary.	Maximum bonus opportunity is 150% of base salary. 50% of the potential maximum bonus is payable for achievement of on-target performance.
N/A	A combination of profit before tax, overall landbank/indebtedness, personal objectives and employee engagement targets with penalties for failure to achieve customer satisfaction and health and safety targets. The weightings of each of these measures in respect of the 2013/14 annual bonus can be found on page 69 of this Remuneration Report. The Committee retains 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.
No change.	No change for the 2013/14 financial year with the exception of an increased focus upon minimum landbank and the personal objectives performance measure for Executive Directors. This performance measure makes up 10% of the total annual bonus and is now in two parts for Executive Directors. Half of this performance measure is based on the achievement of targets agreed with the Group Chief Executive (and in the case of the Group Chief Executive, with the Chairman) and the other half is at the discretion of the Committee.

ELEMENT OF PAY	LTPP ¹	Deferred Bonus Plan ('DBP')
PURPOSE AND LINK TO COMPANY'S STRATEGY	To motivate and reward Executive Directors and Senior Management for the delivery of the long-term performance of the Group. To facilitate share ownership by Executive Directors and Senior Management. The Committee ensures that targets, whilst stretching, are: realistic and attainable; for the long-term benefit of the Group; and do not encourage inappropriate business risks.	Any annual bonus which is deferred into shares is held in this plan. The aim is to encourage long-term focus and to further align interests with those of shareholders and discourage excessive risk taking.
HOW OPERATED IN PRACTICE	LTPP awards: (i) are structured as nil-cost options and granted annually so that no undue emphasis is placed on performance in any one particular financial year; (ii) are at the discretion of the Committee, taking into account individual performance and the overall performance of the Group; (iii) vest on the third anniversary subject to achievement of stretching performance conditions measured over three financial years and to continued employment; and (iv) are satisfied by either newly issued shares or shares purchased in the market. Newly issued shares are subject to the dilution limits set out in the scheme rules and in accordance with ABI guidelines. Clawback may apply in the event of material misconduct and/or material misstatement or error of financial results.	The Committee utilises the rules of the Group's Co-Investment Plan (the 'CIP') for the purposes of the DBP. Under these rules the Committee has a discretion which allows it to award matching shares (the 'Matching Award'). However, no Matching Shares are currently awarded to Executive Directors or Senior Management. Clawback may apply in the event of material misconduct and/or material misstatement or error of financial results.
MAXIMUM OPPORTUNITY	The Committee has agreed to grant an award equal to 200% of base salary to the Executive Directors. In the case of other participants, awards will be up to 150% of base salary, unless there are exceptional individual circumstances, such as planned Board succession or truly exceptional sustained delivery during a plan period in which case, the Committee retains the discretion to increase a contingent award up to 200% of base salary.	Any bonus paid in excess of 100% of salary is deferred into shares and held in the CIP. Participants also have the opportunity to voluntarily defer additional amounts of annual bonus up to a maximum of 25% of base salary into the CIP. Matching Awards may be made at a rate of one for one for compulsory deferral and at a maximum of four for one for voluntary deferral.
DESCRIPTION OF PERFORMANCE METRICS	50% of the LTPP award is subject to a relative TSR condition and 50% is subject to absolute EPS targets². 25% of an award will vest at threshold performance (0% vests below this level) increasing pro-rata to 100% vesting for maximum performance. The levels of vesting in respect of each of the performance conditions for the LTPP to be awarded during the 2013/14 financial year and each of the outstanding LTPP awards can be found on pages 69 and 72 respectively. Overall, 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.	Any shares awarded remain subject to a continued employment performance condition over a three-year period and 'good' and 'bad' leaver provisions. Any Matching Awards will be subject to performance conditions measured over a period of three years.
CHANGE TO POLICY	No change.	No change.

¹ The rules of the LTPP were approved by shareholders at the 2012 AGM.

² TSR performance condition is monitored on the Committee's behalf by NBS whilst EPS performance is verified by the Committee. The TSR and EPS performance conditions were selected by the Committee on the basis that they reward outperformance against returns generated by our listed company peers and to ensure efficient and effective management of our business whilst aligning interests with those of shareholders.

³ Details of the extent to which the Executive Directors complied with this policy as at 30 June 2013 are set out on page 78 of this Remuneration Report.

Savings Related Share Option Scheme ('SRSOS')	Shareholding guidelines³	Non-Executive Directors' fees (including the Chairman)
To promote long-term share ownership amongst all employees of the Group in a tax-efficient way, linking employee benefit to the performance of the Group and to aid retention of staff.	To further align the interests of Executive Directors to those of shareholders.	To attract and retain high quality and experienced Non-Executive Directors (including the Chairman).
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. 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.	Executive Directors are required to build up and retain a shareholding in the Company's shares within five years of being appointed to the Board and must retain all vested LTTP awards or exercised options (both net of tax) until the relevant shareholding has been achieved. The share price used for the purposes of determining the value of the shares is that prevailing on 30 June in each year. There is no mandatory requirement for the Non-Executive Directors, including the Chairman, to hold shares however they are encouraged to do so by the Committee.	The remuneration of the Non-Executive Directors is set by the Board on the recommendation of a Committee of Executive Directors having regard to the time commitment and responsibilities associated with the role. The remuneration of the Chairman is set by the Board on the recommendation of the Committee again having regard to the time commitment and responsibilities of the role. The remuneration of the Chairman and the Non-Executive Directors is reviewed annually taking into account the fees paid by other companies in the housebuilding sector. Non-Executive Director fees are paid in cash. The Non-Executive Directors do not participate in any performance related schemes (e.g. annual bonus or incentive schemes) nor do they receive any pension or private medical insurance benefits. No additional fees are payable for membership of Board committees however, additional fees are paid to the Chairmen of the Audit and the Remuneration Committees and the Senior Independent Director. Details can be found on page 70 of this Remuneration Report.
Save a maximum of £250 per month for a period of three or five years.	100% of base salary for Executive Directors.	N/A
Continued employment for the duration of the scheme and 'good' and 'bad' leaver provisions.	Executive Directors may not dispose of any shares on the exercise of an option or on release of an award if they do not have the minimum shareholding.	Non-Executive Director fees must remain within the limits approved by shareholders and incorporated in the Company's Articles of Association.
No change.	No change.	No change.

Clawback

Both the annual bonus (including any deferred bonus) and the LTPP are subject to the Company's power of clawback (the 'Clawback'). The Clawback is applicable in respect of any annual bonus paid/deferred 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. In addition, the Clawback will also apply to any awards granted under any senior manager share schemes.

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/deferred 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/deferred 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.

Consideration of employment conditions elsewhere across the Group

The budget for all employees' salaries is determined with reference to the rate of inflation, salaries for similar positions throughout the industry and general themes and trends in respect of remunerating employees.

When agreeing the increase in base salaries for Executive Directors and Senior Management, the Committee takes into consideration the salary increases awarded to all employees within the Group in respect of any given financial year.

Differences between Executive Directors' and Employees' remuneration

The following differences exist between the Company's policy for the remuneration of Executive Directors as set out above and its approach to the payment of employees generally:

- a lower level of maximum annual bonus opportunity may apply to employees other than the Executive Directors and certain senior executives, however all employees, including Executive Directors and Senior Management, are subject to the same performance targets;
- Executive Directors and Senior Management are required to defer any bonus earned in excess of 100% of base salary into shares for a period of three years;
- employees are only able to join the defined contribution money purchase section of the Barratt Group Pension and Life Assurance Scheme. Executive Directors' may either join the defined contribution money purchase scheme or elect for a cash supplement in lieu of the pension contribution; and
- participation in the LTPP is limited to Executive Directors and Senior Management. The Committee has however approved a plan that

allows the deferral of an equivalent of 15-25% of the salary of a number of select employees operating below Senior Management level into a Senior Managers' Incentive Scheme (the 'SMIS'). Further details of the SMIS can be found on page 70 of this Remuneration Report.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of Executive Directors and Senior Management, a greater emphasis tends to be placed on performance-related pay.

Recruitment of Executive Directors

The base salary for any new Executive Director will take into account market data for the relevant role, the salaries of existing Executive Directors, the individual's experience and their current base salary. In the event an individual is recruited at below market levels, their base salary may be re-aligned over a period of time (e.g. two to three years) subject to their performance in the role.

Individuals will participate in the LTPP on terms to be considered by the Committee on a case by case basis, depending on the date of appointment. The Committee may also consider buying out incentive awards which an individual would forfeit upon leaving their current employer, again this would be reviewed on a case by case basis.

Executive Directors' service contracts

Details of the Executive Directors' service contracts are included in Table 6 and their emoluments are shown in Table 10 on page 70 of this Remuneration Report. All Executive Directors' and Senior Management's service contracts were reviewed and updated during the 2012/13 financial year in order to bring them in line with current regulations and best practice. All individuals whose service contracts were amended, agreed and accepted the changes proposed and new service contracts have been entered into. 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.

Table 6 – Executive Directors' service contracts

Executive Director	Service contract date	Date of appointment	Notice period
Mark Clare	12 November 2012	2 October 2006	12 months
David Thomas	16 January 2013	21 July 2009	12 months
Steven Boyes	21 February 2013	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.

Executive Directors' service contracts are available for inspection by any person at the Company's registered office during normal office hours and will also be available at the 2013 AGM for 15 minutes before and throughout the meeting.

The Committee will continue to review the contractual terms for new Executive Directors to ensure that these reflect best practice. No new Executive Directors were appointed during the financial year under review.

Executive Directors' notice period

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 twelve months' notice given by either the Company or by the Executive at any time.

Executive Directors' termination provisions

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 change of ownership of the Company. 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.

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 UK GBC 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.

Chairman and Non-Executive Directors' letters of appointment

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 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 7.

Table 7 – Non-Executive Directors' letters of appointment

Non-Executive Director	Date elected/ re-elected at AGM	Date first appointed to the Board	Date last re-appointed to the Board
Bob Lawson	14 November 2012	1 June 2008	1 June 2011
Tessa Bamford	14 November 2012	1 July 2009	1 July 2012
Rod MacEachrane	14 November 2012	1 May 2006	1 July 2011
Mark Rolfe	14 November 2012	1 May 2008	1 May 2011
Richard Akers	14 November 2012	2 April 2012	N/A
Nina Bibby	N/A	3 December 2012	N/A

The letters of appointment for 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 2013 AGM for 15 minutes before and throughout the meeting.

Shareholder engagement

Each year we update our major investors upon the Committee's application of the Company's Remuneration Policy and our performance, following the release of the July trading update and in advance of the publication of our Annual Report and Accounts. The Committee considers shareholder feedback received in relation to the AGM and any additional feedback received during any meetings from time to time, as part of the Company's annual review of its Remuneration Policy. In addition, the Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be proposed to the Remuneration Policy. Details of the votes cast for and against the resolution to approve last year's remuneration report and any matters discussed with shareholders during the year are detailed throughout this Remuneration Report.

ANNUAL REPORT ON REMUNERATION

In this section, in addition to complying with our reporting requirements, we describe all of the payments to Directors in connection with the year under review and how the Remuneration Policy will be applied throughout the 2013/14 financial year.

The Committee

The main role of the Committee is to design and implement a remuneration framework which, not only allows the Group to recruit and retain Executive Directors and Senior Management who are fully focused and motivated to achieve and deliver the Group's key business strategies but, is also aligned to the interests of the Group's shareholders. The Committee operates within terms of reference (the 'Terms of Reference') and governance policies approved by the Board and in accordance with the Code. The full Terms of Reference, which are reviewed annually, are available from the Company's website at www.barrattdevelopments.co.uk.

Principal responsibilities

The principal responsibilities of the Committee undertaken in each annual cycle (where appropriate) 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 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 Senior Management including bonuses, incentive payments, share options/awards and pension arrangements; and
- undertaking consultations with institutional investors on remuneration policy and/or other aspects of senior remuneration, as appropriate and ensuring that the Remuneration Policy is aligned with regulatory requirements.

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 2013 are set out on page 67 of this Remuneration Report.

Membership

Bob Davies chaired the Committee until the conclusion of the 2012 AGM on 14 November 2012, at which point he stepped down from his positions of Non-Executive Director, Chairman of the Committee and as Senior Independent Director of the Company. Richard Akers took over as Chairman of the Committee with effect from that date. Other members of the Committee throughout the financial year were Bob Lawson, Rod MacEachrane, Tessa Bamford and Mark Rolfe. Nina Bibby joined the Committee on 3 December 2012. The Group General Counsel and Company Secretary, Tom Keevil, acts as Secretary to the Committee.

In accordance with the Code, 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. Details of their shareholdings and fees can be found on pages 78 and 70 respectively.

Meetings

The Committee met on five occasions during the financial year and attendance at each of these meetings is described in Table 5 on page 56 of the Corporate Governance Report.

The matters addressed by the Committee during the 2012/13 financial year were as follows:

	General remuneration matters	Governance	Annual bonus	Long-term incentives
Month:				
JULY (two meetings)	- Resignation of Clive Fenton - Finalisation of bonus and LTPP performance targets	- Draft 2011/12 Remuneration Report - Shareholder consultation letter	Cash and net debt targets	Review and approval of EPS targets for 2012/13
AUGUST	Annual consultation with investors			
SEPTEMBER	- Finalisation of the 2012/13 bonus and LTPP outcomes - Remuneration strategy and policy	Draft 2011/12 Remuneration Report	2011/12 Annual bonus sign off 2012/13 Net debt reconciliation	- Update of Scheme rules - Review of Senior Managers' Long-Term Incentive Scheme
APRIL	- Remuneration benchmarking - Reviewed fixed and variable remuneration elements	- Review of impact of BIS Proposals on Directors' Remuneration - Review of Policy and outline 2012/13 Remuneration Report	2013/14 Annual bonus rules and proposal - Setting of challenging performance conditions	2013/14 review proposals and review performance conditions
JUNE	Approve salary increases for 2013/14	- Shareholders' Consultation Letter - Committee effectiveness - Executive shareholdings - Review and approve Terms of Reference	- Review of performance against targets for 2012/13 Annual bonus 2013/14 Annual bonus targets	- Review of EPS targets for 2013/14 LTPP - Proposal for 2013/14 senior manager scheme

Effectiveness

As described on pages 48 and 49 of the Corporate Governance Report, Independent Board Evaluation undertook an external performance evaluation of the Committee. The key areas reviewed included the structure and operation of the Committee under a new Chairman. The outcome was positive. It was however, acknowledged that a key challenge moving forward would be to ensure that the remuneration structure and the aggregate value of the fixed and variable elements remain competitive within the market as it continues to improve. The Committee will meet in December to review the Remuneration Policy further, in the light of feedback on this report, the shareholder consultation exercise and external advice. The Committee also reviewed its Terms of Reference as part of the annual effectiveness process and concluded that they follow best practice and are 'fit for purpose'.

Advice/Advisers

During the year the Committee has taken advice from independent advisers, NBS, a part 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 £16,358 (2012: £26,053) for the year ended 30 June 2013. 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. Aon plc also provided broking services to the Company in respect of private medical insurance, Death in Service benefits and Group Income Protection. 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, the Group General Counsel and Company Secretary and the Group Human Resources Director (since his appointment on 1 August 2012), none of whom was present at any time when their own remuneration was being considered.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY FOR THE 2013/14 FINANCIAL YEAR

Executive remuneration package for the 2013/14 financial year

In line with its remuneration strategy described on page 59 of this Remuneration Report, the Committee has 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 responsibilities of the Executive Directors; currently approximately 72.0% of the Group Chief Executive's and the other Executive Directors' remuneration potential is performance based (see Chart 1 on page 59 of this Remuneration Report);
- 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.

Remuneration payment timeline

In respect of the 2013/14 financial year, the elements of remuneration as described on page 59 of this Remuneration Report, subject to performance targets being met, would be made/released as follows:

Financial year	Element of remuneration
2013/14	• Base salary • Pension • Benefits
2014/15	• Annual bonus for the financial year ending 30 June 2014 – cash payment with any bonus earned in excess of 100% of base salary being deferred into shares.
2015/16	• Performance period for LTPP ends however, award does not vest until the expiry of three years from the grant date.
2016/17	• LTPP awards vest
2017/18	• Deferred bonus shares are released.

Performance targets for the 2013/14 financial year

The variable elements of Executive Director and Senior Management remuneration are subject to performance targets which are stretching and challenging whilst aligning the level of reward with the short and long-term performance of the Group and total shareholder return. The performance targets applied to variable remuneration for the 2013/14 financial year and the reasons for selecting those performance targets are set out in the table below:

Variable element	Performance condition	Reason selected
Annual bonus	Financial:	
	• Profit before tax and exceptional items	Rewards outperformance against stretching targets and is a key measure of our performance.
	• Overall minimum landbank/indebtedness (net debt + land creditors)	Ensures efficient and effective management of our balance sheet and alignment of objectives with our banking covenants.
	Non-financial:	
	• Health and safety	Ensures a safe working environment, which is paramount in our business.
LTPP	• Customer service	Customer satisfaction is critical to the success of our business and our ability to compete.
	• Employee engagement	Our ability to attract, motivate and retain the best people is another key criteria for our success.
	• TSR	Rewards outperformance compared against returns generated by our listed company peers.
	• EPS	To ensure efficient and effective management of our business and align interests with those of shareholders.

Executive Directors' salaries

With the assistance of NBS, the Committee undertook a benchmarking exercise of Executive Director salaries and concluded that the salaries are well within the range for the housebuilding sector and the wider population of the comparators from the FTSE 250 (excluding investment trusts). Accordingly, the Committee agreed to award all Executive Directors and Senior Management a salary increase of 2.5% for the 2013/14 financial year. This increase is in line with that awarded to all managers across the Group and slightly lower than the 3% increase awarded to employees below manager level. Executive Director salaries, with effect from 1 July 2013, are therefore as follows:

Table 8 – Executive Directors' salary increases

Name	Current salary £000	Salary with effect from 1 July 2013 £000	% increase	Average % increase over five years (including 2013/14)
Mark Clare	664	681	2.5	1.58
David Thomas	430	441	2.5	1.99
Steven Boyes	430	441	2.5	4.85

Pensions

Executive Directors will receive a cash salary supplement of 30% of base salary.

Annual bonus

Executive Directors and Senior Management will participate in the Group's annual bonus scheme in accordance with the Remuneration Policy. The performance measures and the maximum bonus payment against each of them expressed as a percentage for the 2013/14 financial year will be:

Performance measure	% of salary maximum
Profit before tax	100
Overall landbank/indebtedness	35
Personal objectives*	10
Employee engagement	5
Total**	150

* This element will be in two parts for the Executive Directors, so that half is based on the achievement of targets agreed with the CEO in respect of the two Executive Directors (and the Chairman in respect of the CEO) and the other half is at the Committee's discretion. The personal objectives for Senior Management are set by the CEO and reviewed by the Committee.

** Any bonus earned in aggregate in excess of 100% will continue to be deferred into shares and held in the CIP.

In addition to these performance measures, the Committee has retained the penalties for under-performance in respect of each of the customer service and health and safety targets. Accordingly, in respect of customer service, 10% of the total bonus earned will be forfeited for failure to achieve 5 Star status for both the Recommend Score and the Quality Score under the Home Builders Federation Scheme; and a further 10% would be forfeited for failure to achieve the on-target health and safety performance target. Consequently, if neither of these performance measures were to be achieved, in aggregate, 20% of the annual bonus earned would be forfeited.

Any bonus awarded for the 2013/14 financial year would be subject to the Clawback set out on page 64 of this Remuneration Report.

LTPP

The level of award to be granted to Executive Directors and Senior Management during the 2013/14 financial year will be in line with that described on page 62 of this Remuneration Report. Consistent with past awards, the extent to which the LTPP award to be granted in 2013/14 (the '2013/14 LTPP') will vest, will be dependent on two independent performance conditions with 50% determined by reference to TSR and 50% determined by reference to EPS, as follows:

- the TSR element of the 2013/14 LTPP will vest in full if the TSR ranks in the upper quartile, as measured over the three-year period, relative to the constituents of the FTSE 250 Index (excluding investment trusts) at the beginning of that period. This element will reduce to 25% on a pro rata basis for median performance and to nil for below median performance; and
- the EPS element of the 2013/14 LTPP will vest in full if the 2015/16 EPS is 40 pence per share or higher. This element will reduce to 25% on a pro rata basis if the 2015/16 EPS is 30 pence per share and to nil if the 2015/16 EPS is less than 30 pence per share.

The specific EPS target range for the 2013/14 LTPP has been increased by an additional two pence per annum to ensure management does not get any benefit from the expected positive impact of the Company's re-financing upon EPS in future years and remains designed to incentivise significant performance improvement across the business, increase sales volumes and deliver continued profit growth, whilst ensuring that it does not encourage inappropriate risk taking by Executive Directors and Senior Management. The EPS targets approved by the Committee reflected the significant improvement in the Company's performance, current consensus targets for profit before tax as at 30 June 2015, (extrapolated forward in the absence of a current market consensus for the 2015/16 financial year), the Board's assessment of optimal scale of the business, the need to ensure continued focus on managing net debt, together with the forward looking goal of the Group to improve its return on capital employed. In doing so, the Committee was satisfied that these targets would deliver substantial benefit to shareholders, if they are met, whilst ensuring full engagement from management by having an achievable minimum vesting level while requiring outstanding performance to achieve the maximum target.

Both the TSR and EPS performance conditions will remain subject to an overriding Committee discretion, in that it must be satisfied that the underlying financial performance of the Company over the performance period warrants the level of vesting as determined by applying these targets. If the Committee is not of this view then it will be empowered to reduce (possibly to nil) the level of vesting.

Discretionary Long-Term Incentives below Senior Management

In addition to the 2013/14 LTPP for Executive Directors and Senior Management, the Committee has approved the grant of an award under the SMIS to approximately 100 employees operating below Senior Management (the '2013/14 SMIS'). The main purpose of the SMIS is to seek to mitigate the impact of key employees below Senior Management level taking up new job opportunities with competitors operating nationally. The 2013/14 SMIS will be subject to the same EPS performance condition as the 2013/14 LTPP 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 salary deferred. By using the same stretching EPS targets as the LTPP, the Committee is ensuring that the SMIS is aligned with Our Strategic Objectives.

The 2013/14 LTPP and the 2013/14 SMIS are also subject to the Clawback conditions as described on page 64 of the Remuneration Report.

Non-Executive Directors' fees

The Board reviewed the fees for the Non-Executive Directors (including the Chairman) and concluded that no fee increase would be awarded for the 2013/14 financial year. Accordingly, the annual fees payable to the Non-Executive Chairman and Non-Executive Directors with effect from 1 July 2013 remain as follows:

Table 9 – Non-Executive Directors' fee increases

Role	2013/14	2012/13	% increase
Chairman	£270,000	£270,000	0%
Non-Executive Director base fee	£48,000	£48,000	0%
Chairman of Audit Committee	£10,000	£10,000	0%
Chairman of Remuneration Committee	£10,000	£10,000	0%
Senior Independent Director	£5,000	£5,000	0%

DIRECTORS' REMUNERATION OUTCOMES FOR THE 2012/13 FINANCIAL YEAR

Directors' emoluments

The following table shows the emoluments for the Executive Directors in respect of the financial year ended 30 June 2013:

Table 10 – Directors' emoluments (Audited)

	Salary/fee £000	Pension allowance £000	Employer's pension contribution £000	Performance related £000	Benefits in kind £000	2013 Total £000	2012 Total £000	2013 Gain on exercise of share options £000	2012 Gain on exercise of share options £000
Mark Clare	664	199	–	996	39	1,898	1,830	–	13
David Thomas	430	129	–	645	14	1,218	1,132	–	–
Steven Boyes	430	129	–	645	26	1,230	1,113	–	13
Clive Fenton ^{^^^}	6	2	–	–	–	8	534	–	11
Bob Lawson	270	–	–	–	–	270	270	–	–
Bob Davies ^{**}	23	–	–	–	4	27	55	–	–
Richard Akers [^]	54	–	–	–	–	54	10	–	–
Tessa Bamford ^{^^}	48	–	–	–	–	48	40	–	–
Nina Bibby [*]	28	–	–	–	–	28	–	–	–
Rod MacEachrane	48	–	–	–	–	48	40	–	–
Mark Rolfe [^]	61	–	–	–	–	61	50	–	–
2013 Total	2,062	459	–	2,286	83	4,890	–	–	–
2012 Total	2,296	460	69	2,143	106	–	5,074	–	37

* Nina Bibby joined the Board as a Non-Executive Director on 3 December 2012.

** Bob Davies stepped down from his positions of Non-Executive Director, Chairman of the Remuneration Committee and the Senior Independent Director at the conclusion of the 2012 AGM on 14 November 2012.

[^] These figures include fees in respect of Chairmanship of Board Committees and the role of Senior Independent Director, as applicable.

^{^^} Following Tessa Bamford's appointment as a consultant with Spencer Stuart on 18 April 2011, her fees were paid directly, on a quarterly basis, to Spencer Stuart. With effect from 1 November 2012, her fees are paid directly to her. For the period 1 July 2012 to 31 October 2012 inclusive, the Company paid £16,000 to Spencer Stuart for Tessa's services to the Board and for the remainder of the financial year the Company paid in total £32,000 directly to her in equal monthly instalments.

^{^^^} Figures include salary and benefits received up to and including 5 July 2012 being the date when Clive Fenton resigned as a Director of the Company. He continued to be employed by the Company until 31 December 2012 during which period he received a base salary of £25,000 per month and a benefits package worth £21,120 which comprised the provision of a motor vehicle and private medical insurance.

Single figure of remuneration

The total remuneration for each of the Executive Directors for the financial year ended 30 June 2013 is as set out in Table 11 below:

Table 11 – Executive Directors' single figure of remuneration

	Mark Clare Group Chief Executive				David Thomas Group Finance Director				Steven Boyes Group Chief Operating Officer				Clive Fenton ¹ Group Executive Director			
	2012/13 £000	% of total	2011/12 £000	% of total	2012/13 £000	% of total	2011/12 £000	% of total	2012/13 £000	% of total	2011/12 £000	% of total	2012/13 £000	% of total	2011/12 £000	% of total
Fixed pay:																
Salary	664	16.22	643	30.63	430	16.36	408	31.50	430	16.80	390	30.83	6	75.00	390	73.03
Taxable benefits	39	0.95	38	1.81	14	0.53	15	1.16	26	1.02	26	2.06	–	–	27	5.06
Pension benefits	199	4.86	193	9.19	129	4.91	102	7.88	126 ⁺	4.92	113	8.93	2	25.00	117	21.91
Pay for performance:																
Annual bonus [*]	996	24.33	956	45.55	645	24.54	607	46.87	645	25.21	580	45.85	–	–	–	–
Long-term Incentives:																
LTPP [^]	2,195	53.64	–	–	1,394	53.04	–	–	1,332	52.05	–	–	–	–	–	–
ESOS	–	–	256	12.20	–	–	163	12.59	–	–	143	11.30	–	–	–	–
SRSOS	–	–	13	0.62	16	0.62	–	–	–	–	13	1.03	–	–	–	–
Total Remuneration	4,093	100.00	2,099	100.00	2,628	100.00	1,295	100.00	2,559	100.00	1,265	100.00	8	100.00	534	100.00

^{*} Includes amount deferred (see Table 13).

[^] Performance conditions tested after 30 June 2013 and 73.9% of the award is due to vest in October 2013. Market price of shares has been calculated based on an average market value over the three months to 30 June 2013.

¹ Figures include salary and benefits received up to and including 5 July 2012 being the date when Clive Fenton resigned as a Director of the Company. He continued to be employed by the Company until 31 December 2012 during which period he received a base salary of £25,000 per month and a benefits package worth £21,120 which comprised the provision of a motor vehicle and private medical insurance. All of Clive's outstanding share awards and options lapsed immediately upon his resignation on 5 July 2012.

⁺ Takes into account the decrease in accrued pension (net of inflation) over the year under the defined benefit section of the Group's pension scheme in accordance with the BIS Regulations.

Annual bonus

For the year under review, Executive Directors had the potential to earn an annual bonus of up to 150% of base salary, 140% of which is based on the attainment of Group performance targets and 10% on personal objectives. All targets, Group and personal, were agreed at the beginning of the financial year. The Group performance targets which applied to the bonus for the 2012/13 financial year and the resulting outturn were as follows:

Table 12 – Annual bonus (Audited)

Bonus target		Proportion of total bonus available	Actual performance	Resulting bonus outturn	Cash/deferred shares	
		% of salary	Achievement	% of salary	Payable in cash % of salary	Payable in shares % of salary
Profit before tax and exceptional items	Threshold: £145m	20%	£192.3m	100%	50%	50%
	Target: £155m	50%				
	Maximum: £175m	100%				
Overall indebtedness	Threshold: £950m	7%	£770.3m	35%	35%	0%
	Target: £900m	17.5%				
	Maximum: £850m	35%				
Employee engagement	Minimum: 54%	1%	68%	5%	5%	0%
	Target: 56%	2.5%				
	Maximum: 58%	5%				
Personal objectives	Maximum: 5% personal objectives Maximum: 5% at the Committee's discretion	10%	100%	10%	10%	0%
Health and safety	Minimum: 93%	No penalty	97%	0%	0%	0%
Customer service	Minimum: 5 Star status	No penalty	5 Star status	0%	0%	0%

Table 13 – Executive Directors' deferred bonus

	Mark Clare Group Chief Executive			David Thomas Group Finance Director			Steven Boyes Group Chief Operating Officer		
	% deferred **	Amount deferred £000	Number of Shares [^]	% deferred **	Amount deferred £000	Number of Shares [^]	% deferred **	Amount deferred £000	Number of Shares [^]
2012/13 Deferred bonus	50.00	332	TBC*	50.00	215	TBC*	50.00	215	TBC*
2011/12 Deferred bonus	48.75	313	184,123	48.75	199	116,903	48.75	190	111,746

* The number of shares will be determined based on the share price 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 on which the Group announces its annual results for the 2012/13 financial year. The actual number of shares awarded in respect of the 2012/13 deferred bonus was not therefore available as at the date of this report. This information will therefore be disclosed in next year's report.

[^] Shares are held in the CIP for a period of three years commencing from the date of the award and subject to a continued employment performance condition.

** The Executive Directors earned a total bonus of 150% and 148.75% for the 2012/13 and 2011/12 financial years respectively. Accordingly, any bonus earned in excess of 100% of base salary is deferred into shares.

Long-Term Performance Plan

LTPP granted during the year (the '2012/13 LTPP') (Audited)

On 24 October 2012, the following 2012/13 LTPP awards were granted to Executive Directors:

Executive Director	Type of award	Basis of award granted	Share price at date of grant (pence)	Number of shares over which award was granted	Face value of award (£000)	% of face value that would vest at threshold performance	Vesting determined by performance over
Mark Clare	Nil cost option	200% of salary £664,000	160.90	825,357	£1,328	25%	Three financial years to 30 June 2015
David Thomas	Nil cost option	200% of salary £430,000	160.90	534,493	£860	25%	
Steven Boyes	Nil cost option	200% of salary £430,000	160.90	534,493	£860	25%	

The 2012/13 LTPP is subject to two performance conditions, TSR (50%) and EPS (50%). The levels of vesting against TSR, measured over a three-year period commencing 1 July 2012, and against EPS for the financial year ending 30 June 2015, are as follows:

- the TSR element will vest in full if the TSR ranks in the upper quartile relative to the constituents of the FTSE 250 Index (excluding investment trusts). 25% will vest at median performance and there will be no vesting for performance below median; and
- the EPS element will vest in full if EPS for the 2014/15 financial year is 26 pence per share or higher. This element will reduce to 50% for an EPS of 22 pence per share and to 25% for EPS of 18 pence per share. There will be no vesting if EPS is less than 18 pence per share. Vesting will be on a straight-line basis for EPS between: 18 pence and 22 pence; and 22 pence and 26 pence per share.

Outstanding LTPP awards

2011/12 LTPP award granted 20 October 2011 was based on an allocation of ordinary shares equivalent in value to a maximum of 150% of base salary. 50% of the award is subject to a three-year TSR performance condition and the other 50% is based on the achievement of an EPS target for the financial year ending 30 June 2014. There is no re-testing of performance conditions.

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 EPS targets and corresponding levels of vesting for the 2011/12 LTPP award are as follows:

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

In addition to the above performance targets, all LTPP awards are 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.

Following the Company's refinancing during the financial year, the Committee will be informing the participants of the 2011/12 and 2012/13 LTPPs that it will adjust the vesting levels, at the end of each of the respective plan periods (30 June 2014 and 30 June 2015 respectively) to ensure that participants do not benefit from the expected positive impact upon EPS arising from the refinancing for the relevant parts of those plan periods.

Vesting of 2010/11 LTPP

The 2010/11 LTPP award granted on 14 October 2010 was based on performance to the year ended 30 June 2013 and will vest on 14 October 2013. The performance condition for this award and the resulting vesting level is as follows:

Metric	Performance condition	Threshold target	Stretch target	Actual	% Vesting
EPS	Absolute EPS growth for the financial year ended 30 June 2013.	10p	25p	Adjusted basic EPS 14.6p	23.9%
TSR	TSR against the constituents of the FTSE 250 index (excluding investment trusts). 12.5% of the total award vesting for median performance and 50% of the total award vesting for upper quartile performance or above. TSR measured over three financial years with a three month average at the start and end of the performance period.	Median ranking of 93.5 (TSR of 61.0%)	Upper quartile of 47 (TSR of 105.9%)	Rank of 18 (TSR of 171.8%)	50%
Total vesting					73.9%

The award details for each of the Executive Directors are therefore as follows:

Executive	Number of shares at grant	Number of shares to vest ¹	Number of shares to lapse	Dividends on shares to vest	Total	Estimated value ² (£000)
Mark Clare	963,900	712,322	251,578	N/A	712,322	2,195
David Thomas	612,000	452,268	159,732	N/A	452,268	1,394
Steven Boyes	585,000	432,315	152,685	N/A	432,315	1,332

¹ The relevant number of shares will be released to each participant as soon as is practicable in October 2013, when the award actually vests.

² The estimated value of the vested shares is based on the average share price during the 3 months to 30 June 2013 (£3.0812 per share).

Table 14 – Long-Term Incentive Schemes (Audited)

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

	Date of award	At 30/06/12 No.	Granted No.	Vested No.	Lapsed No.	At 30/06/13 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	–	–
DBP	12.10.2012	–	184,123	–	–	184,123	12.10.2015	170.14	–	–
LTPP	24.10.2012	–	825,357	–	–	825,357	24.10.2015	160.90	–	–
Total		2,118,686	1,009,480	–	–	3,128,166				
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	–	–
DBP	12.10.2012	–	116,903	–	–	116,903	12.10.2015	170.14	–	–
LTPP	24.10.2012	–	534,493	–	–	534,493	24.10.2015	160.90	–	–
Total		1,345,198	651,396	–	–	1,996,594				
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	–	–
DBP	12.10.2012	–	111,746	–	–	111,746	12.10.2015	170.14	–	–
LTPP	24.10.2012	–	534,493	–	–	534,493	24.10.2015	160.90	–	–
Total		1,285,851	646,239	–	–	1,932,090				
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		1,285,851	–	–	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.

Executive Directors' share option plans

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.

Under the rules of the ESOP no further options can be granted under this plan. Details of the option granted to Steven Boyes in 2003 remain unchanged and are set out in Table 15.

Executive Share Option Scheme

The Executive Share Option Scheme (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 last grant made under the ESOS was the 2009/10 ESOS, which was subject to TSR and annual EPS performance conditions. The Committee chose these targets as the most appropriate measure of financial performance for a housebuilder at the time of the grant, as they are a fundamental measure of the Group's underlying performance and are directly linked to the generation of returns to shareholders. The TSR element of the 2009/10 ESOS was tested in December 2012 and, as the result was below median, none of the TSR element of the award vested.

The EPS element of the award had three separate annual components with the Committee setting targets annually for the following financial year. Performance against each annual EPS target was tested at the end of each relevant financial year during the performance period and each year's EPS target determined 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.

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 was justified, a cumulative total of 32.8% of the award vested on 10 December 2012 (being three years from the date of grant) and the remaining 67.2% of the award was lapsed on the same date. Executive Directors and Senior Management have until 9 December 2019 to exercise their option and any options not exercised within this timescale will lapse.

Table 15 – Directors' share options (Audited)

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

	Date of grant	At 30/06/12 No.	Granted No.	Exercised No.	Lapsed No.	At 30/06/13 No.	Exercise price pence	Market price (pence) on relevant date of exercise	Date from which exercisable	Latest expiry
Mark Clare										
ESOS	10.12.2009	1,037,976	–	–	697,520	340,456	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		1,045,176	–	–	697,520	347,656				
David Thomas										
ESOS	10.12.2009	25,458	–	–	17,108	8,350	117.84	–	10.12.2012	09.12.2019
ESOS	10.12.2009	634,319	–	–	426,263	208,056	121.39	–	10.12.2012	09.12.2019
SRSOS	28.03.2010	7,811	–	–	–	7,811	116.18	–	01.06.2013	30.11.2013
SRSOS	27.03.2013	–	4,398	–	–	4,398	204.60	–	01.06.2016	30.11.2016
Total		667,588	4,398	–	443,371	228,615				
Steven Boyes										
ESOP*	10.10.2003	153,897	–	–	–	153,897	357.37	–	10.10.2006	09.10.2013
ESOS	10.12.2009	576,653	–	–	387,511	189,142	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		737,750	–	–	387,511	350,239				
Clive Fenton**										
ESOS	10.12.2009	576,653	–	–	576,653	–	121.39	–	01.12.2012	09.12.2019
SRSOS	28.03.2012	7,200	–	–	7,200	–	125.00	–	01.06.2015	30.11.2015
Total		583,853	–	–	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.

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 2013, the Company proposes to satisfy all outstanding Executive options and awards under the LTTP, 2009/10 ESOS, the DBP, the SRSOS and the unexercised options under the Executive Share Option Plan (the 'ESOP') through a new issue of shares, subject to the dilution limits described below. Only awards made to individuals below Senior Management level will 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 2013 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 2013, the resulting issue of new shares would represent 3.23% 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.

Executive Directors' pension arrangements

The Company's pension policy for Executive Directors is that they can choose to participate in the Company's defined contribution 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.

Defined benefit section

The defined benefit section of the Barratt Group Pension and Life Assurance Scheme (the 'Scheme') was closed to new entrants in 2001 and 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 current members. Members of the Scheme became eligible to join the defined contribution money purchase section of the Scheme with effect from 1 July 2009.

Up until 30 June 2009, Steven Boyes was a member 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 (who left the business on 5 July 2012) 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, (as did Clive Fenton up until his resignation on 5 July 2012), has been entitled to receive a cash supplement equal to 30% of his base salary per annum.

Steven Boyes and Clive Fenton were members of the Scheme during the year ended 30 June 2013. Details of their accrued benefits are as follows:

Table 16 – Directors' accrued pension benefits (Audited)

	Increase in accrued pension over the year to 30 June 2013 (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 2013 (net of inflation) less Directors' contributions £	Increase in accrued pension over the year to 30 June 2013 £	Transfer value of accrued pension at 30 June 2013 £	Transfer value of accrued pension at 30 June 2012 £	Change in transfer value over the year £
Steven Boyes	(156)	307,228	(3,588)	7,633	6,182,661	6,252,591	(69,930)
Clive Fenton	(22)	46,933	(457)	1,168	890,490	880,815	9,675

Notes

- 1 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.
- 2 The inflation figure of 2.6% is based on the change in RPI from September 2011 to September 2012, consistent with previous years.
- 3 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.
- 4 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.
- 5 The figures do not take account of any retained benefits the members may have.

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 2013 by a qualified independent actuary and a deficit of £13.4m (2012: £21.4m) is included in the Group balance sheet as shown in note 27 of the financial statements. The Company will continue to pay the deficit reduction contributions at a level not lower than the £13.3m per annum 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.

Payments to Directors leaving the Group (Audited)

On 5 July 2012, Clive Fenton resigned as a Director of the Company and all relevant Group companies. He remained an employee of the Company until 31 December 2012, during which time he received a reduced base salary of £25,000 per month and benefits limited to the provision of a motor vehicle, running expenses related to the vehicle and private medical insurance. He was also required to comply with certain non-compete covenants during this period of employment and a further six months thereafter.

In addition, the Board presented Bob Davies with £2,000 worth of gift vouchers as a leaving gift when he stepped down from his position of Non-Executive Director on 14 November 2012. As these vouchers are deemed to be a benefit, they are subject to tax, which the Company settled on Bob's behalf.

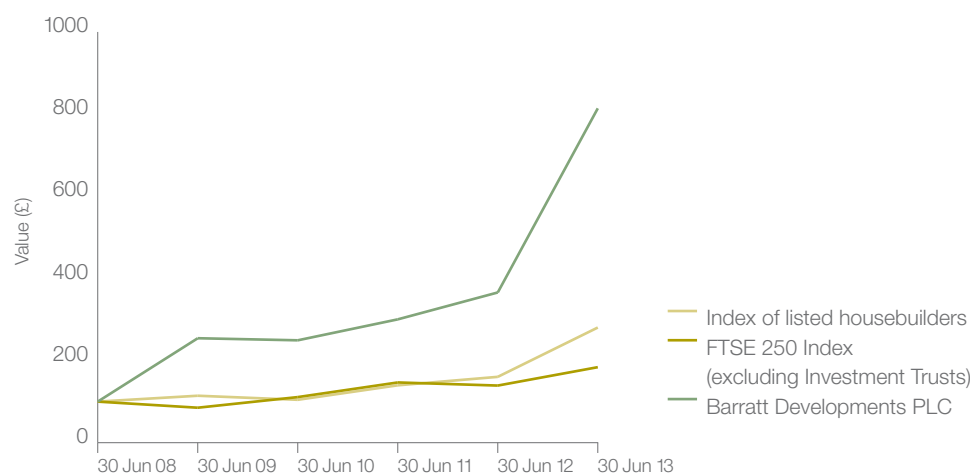
Payments for loss of office (Audited)

No payments were made in respect of loss of office during the year ended 30 June 2013.

Total Shareholder Return performance graph

Chart 2, prepared in accordance with the BIS Regulations, shows the TSR performance over the last five years against the FTSE 250 (excluding investment trusts) and against an index of listed housebuilders. The Board has chosen these 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 BIS Regulations.

Chart 2: Total Shareholder Return performance graph



Total shareholder return. Source: Datastream.

This graph shows the value as at 30 June 2013 of £100 invested in Barratt Developments PLC on 30 June 2008 compared with the value of £100 invested in the FTSE 250 (excluding investment trusts). As a supplementary source of information, we also show performance against an index of currently listed housebuilders (excluding Barratt Developments PLC and Crest Nicholson, who re-listed in February 2013). The other points plotted are the values at intervening financial year-ends.

Five year Group Chief Executive's pay

Table 17 sets out: (i) the total pay, calculated in line with the single figure methodology; (ii) the annual bonus pay out as a percentage of maximum; and (iii) the LTI vesting level for Mark Clare, Group Chief Executive over a five year period:

Table 17 – Five year Group Chief Executive's Pay (Audited)

	Five years to 30 June 2013				
	2013	2012	2011	2010	2009
Group Chief Executive's total pay (£000)	£4,093	£2,099	£1,220	£1,417	£847
Bonus outturn (as percentage of maximum opportunity)	100%	99.2%	36.6%	90.2%	0.0%
LTI vesting percentage	73.9%	32.8%	0.0%	0.0%	0.0%

Percentage change in remuneration of Group Chief Executive

The table below shows the percentage change in the Group Chief Executive's total remuneration (excluding the value of any LTPP and pension benefits receivable in the year) between the financial years ended 30 June 2012 and 30 June 2013, compared to that of the total wage bill for all employees of the Group.

Table 18 – Percentage change in remuneration

	Total remuneration		
	2013	2012	% change
Group Chief Executive (£000)	1,699	1,637	3.8%
All employees (excluding Group Chief Executive) (£m)	219.6	204.5	7.4%

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends and profit from operations:

Table 19 – Relative importance of spend on pay

	2013	2012	% change
Staff costs (£m)	262.0	239.0	9.6%
Profit from operations	249.9	191.1	30.8%
Dividends (£m)*	24.4	–	N/A

* Dividend is calculated on the number of shares in issue (excluding those held by the Barratt Developments PLC Employee Benefit Trust) as at 30 June 2013 at a rate of 2.5 pence per share. The final dividend, if approved by shareholders at the 2013 AGM, will be paid on 20 November 2013 to those shareholders on the register at the close of business on 25 October 2013.

£8m of the staff costs figure relates to staff costs for the Executive Directors. This is different to the aggregate of the single figure of remuneration for the year under review due to the way in which the share based awards are accounted for and the inclusion of Employer's National Insurance Contributions.

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 2013 to 10 September 2013 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 2013 as described on page 72 of this Remuneration Report.

Table 20 – Directors' interests in shares (Audited)

	Beneficially owned as at 1 July 2012	Beneficially owned as at 30 June 2013	Outstanding share awards under all employee share plans as at 30 June 2013	Shareholding as a % of salary
Mark Clare	1,241,601	1,241,601	3,475,822	579
David Thomas	292,781	312,781	2,225,209	225
Steven Boyes	394,246	394,246	2,282,329	284
Clive Fenton*	307,446	–	–	N/A
Bob Lawson	517,023	517,023	–	N/A
Richard Akers	10,000	10,000	–	N/A
Bob Davies^	37,000	37,000	–	N/A
Tessa Bamford	31,500	31,500	–	N/A
Nina Bibby‡	–	–	–	N/A
Rod MacEachrane	27,600	27,600	–	N/A
Mark Rolfe	69,000	69,000	–	N/A

* Figures are as at date of resignation as a director on 5 July 2012. On the same date all outstanding options and awards held by Clive Fenton were lapsed.

^ Figures as at 14 November 2012 being the date on which Bob Davies stepped down from his position as Non-Executive Director of the Company.

‡ Nina Bibby joined the Board on 3 December 2012. From the date of joining, Nina was prohibited from dealing in Barratt shares until the end of the close period on 11 September 2013.

Executive Directors' shareholding guidelines

Executive Directors are required to hold shares in the Company equivalent in value to 100% of base salary and must retain all of the net of tax value of any vested LTPP shares until the guideline is met. At 30 June 2013, all of the Executive Directors had met the shareholding requirement (see Table 20).

Statement of shareholding vote at AGM

At the 2012 AGM, a resolution was proposed to shareholders to approve the Remuneration Report for the year ended 30 June 2012 for which the following votes were received:

	Number of votes	Percentage
Votes cast in favour	559,917,636	97.93%
Votes cast against	11,819,527	2.07%
Total votes cast	571,737,163	100%
Abstentions	11,603,375	

This Remuneration Report was approved by the Board on 10 September 2013 and signed on its behalf by:

Richard Akers

NON-EXECUTIVE DIRECTOR

10 September 2013

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 2013 was £75.0m (2012: £67.4m).

No interim dividend was paid during the financial year (2012: nil). The Directors recommend the payment of a final dividend of 2.5 pence per share on 20 November 2013 in respect of the financial year ended 30 June 2013 to shareholders on the register at the close of business on 25 October 2013 (2012: 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 2013 AGM will be held at The British Medical Association, BMA House, Tavistock Square, London WC1H 9JP on Wednesday 13 November 2013 at 2.30 p.m. The Notice convening the 2013 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 2013, apart from Nina Bibby who joined the Board as a Non-Executive Director on 3 December 2012. Clive Fenton resigned as a Director with immediate effect on 5 July 2012 and Bob Davies stepped down from his position as a Non-Executive Director of the Company on 14 November 2012. As announced on 11 September 2013 Rod MacEachrane will step down from his position as a Non-Executive Director of the Company at the 2013 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 2013 and as at the date of this report are disclosed in the Remuneration Report on page 78.

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 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 49 of the Corporate Governance Report.

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 Annual Report and Accounts, 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 the course of performing 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' ('IAS 24') and the Board are related parties within the definition of Chapter 11 of the UK Listing Rules ('Chapter 11'). There is no difference between transactions with key personnel of the Company and transactions with key personnel of the Group.

During the year, the Company entered into the following transaction which, for the purposes of IAS 24 is considered to be a 'related party transaction'.

In April 2013, the son of Mark Clare, Group Chief Executive, reserved and exchanged on an apartment from Alie Street LLP, a joint venture partnership between BDW Trading Limited (the Company's main trading subsidiary) and London and Quadrant Housing Trust, at a purchase price of £744,246. As at 30 June 2013, £669,821 remains outstanding on this transaction, which will become due on legal completion. Alie Street LLP is not controlled by the Company and is not a 'subsidiary undertaking' of the Company.

This purchase was conducted at a fair and reasonable market price based on similar comparable transactions at that time.

On notification by Mark Clare of the above transaction, the Board sought advice from its legal advisers and corporate brokers in respect of the application of Chapter 11 and section 190 of the Act (Substantial Property Transactions) ('Section 190') to the transaction. The advice received concluded that Chapter 11 and Section 190 did not extend to LLPs and therefore the provisions of Chapter 11 and Section 190 did not apply to this transaction. Consequently, no shareholder approval was required for this transaction.

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 reasonable 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 £40,411 (2012: £30,205). The total amounts given for each charitable purpose were:

Purpose	£
The advancement of education	5,153
The advancement of religion	250
The advancement of health and saving lives	14,619
The advancement of community development	6,399
The advancement of amateur sport	2,448
The relief of those in need because of youth, age, ill-health, disability, financial hardship or other disadvantage	6,350
Prevention or relief of poverty	5,053
The promotion of efficiency of the armed forces	100
Any other purposes	39

No political contributions were made during the year (2012: £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. No branches are located outside of the United Kingdom. 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.

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 28 to the financial statements on page 134.

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 14 November 2012, the Directors were given authority to allot shares up to a nominal value of £32,565,981 (representing one-third of the nominal value of the Company's issued share capital as at 4 October 2012), such authority to remain valid until the end of the 2013 AGM or, if earlier, until the close of business on 13 February 2014. A resolution to renew this authority will be proposed at the 2013 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 2013 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 (iv) 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 14 November 2012, shareholders gave authority to the Company to buy back up to an aggregate of 97,697,940 ordinary shares (representing 10% of the Company's issued share capital). This authority is valid until the end of the 2013 AGM or, if earlier, until the close of business on 13 February 2014. 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 Annual Report and Accounts. A resolution renewing the authority will be proposed at the 2013 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.

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 Regulatory Information Service.

As at 30 June 2013 the persons set out in Table 21 have notified the Company, pursuant to DTR 5.1, of their interests in the voting rights in the Company's issued share capital.

Table 21 – Notifiable Interests

Name	Number of voting rights*	% of total issued share capital when notified**	% of total issued share capital as at 30.06.2013***	Nature of holding
FMR LLC	34,579,199	8.24	3.53	Indirect
Blackrock, Inc	48,992,917	5.01	5.00	Indirect
JP Morgan Chase & Co	17,286,656	4.98	1.77	Indirect
Standard Life Investments Ltd	47,711,714	4.94	4.87	Direct & Indirect
Ruffer LLP	46,887,233	4.80	4.79	Direct
Polaris Capital Management LLC	34,606,679	3.59	3.53	Indirect

* 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 2013 (as announced on 1 July 2013) 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 2013 and 10 September 2013 no changes in respect of interests in the voting rights in the Company's issued share capital have been notified to the Company.

The Total Voting Rights of the Company as at the date of this Annual Report and Accounts, as announced on 2 September 2013, are 979,881,605.

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 28 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.

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 23, 24 and 25 to the financial statements. Details of the Group's liquidity, market price, credit and cash flow risks are set out in note 26 to the financial statements.

Research & development and 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 29.

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 13 days (2012: 29 days) for its trade creditors as at 30 June 2013.

Employee share schemes

Details of employee share schemes are set out in note 29 to the financial statements.

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:

- The revolving credit facility agreement dated 14 May 2013 made between, amongst others, the Company, Lloyds TSB Bank Plc (as the facility agent) and the banks and financial institutions named therein as lenders (the 'Revolving Credit Facility Agreement') contains a prepayment provision at the election of each lender on change of control. The Company must notify the facility agent promptly upon becoming aware of the change of control. After the occurrence of a change of control, the facility agent shall (if a lender so requests within 20 days of being notified of the change of control) by notice to the Company, on the date falling 30 days after the change of control, cancel the commitment of such lender under the Revolving Credit Facility Agreement and declare all amounts outstanding in respect of such lender under the Revolving Credit Facility Agreement immediately due and payable. The Revolving Credit Facility Agreement also contains a provision such that, following a change of control, a lender is not obliged to fund any further drawdown of the facility. For these purposes, a 'change of control' occurs if any person or group of persons 'acting in concert' (as defined in the City Code on Takeovers and Mergers) 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 US\$80m of notes issued pursuant to the following note purchase agreements: (i) a note purchase agreement in respect of the issue of US\$15m notes dated 10 May 2011 (as amended and restated on 14 May 2013); and (ii) a note purchase agreement in respect of the issue of US\$65m notes also dated 10 May 2011 (as amended and restated on 14 May 2013)) contain a change of control prepayment provision. Each such control provision provides that promptly after the Company becomes aware that a change of control has occurred, the Company shall notify all the holders of the notes of the same and give the noteholders the option to require the Company to prepay at par all outstanding amounts (principal and interest) under the notes. If a noteholder accepts such offer of prepayment, such prepayment shall take place on a date that is not more than 90 business days after the Company notified the noteholders 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 City Code on Takeovers and Mergers) such that they gain beneficial ownership of more than 50 per cent of the issued share capital of the Company.
- The £100m term facility agreement between, amongst others, the Company and Prudential/M&G UK Companies Financing Fund LP dated 10 May 2011 (as amended and restated on 14 May 2013) also contains a prepayment provision on a change of control at the election of each lender; such prepayment provision is the same as that described for the Revolving Credit Facility Agreement.
- Each of the debt facility agreements (based on a pro forma agreement agreed in October 2012) between the Company (as guarantor), BDW Trading Limited ('BDW') (as borrower and developer) and the Homes and Communities Agency ('HCA') (as lender), whereby the HCA has made up to £33m (in aggregate) of project financing available to fund up to 20 development sites, contains a provision requiring BDW to obtain the consent of the HCA on a change in control of the Company, BDW or any of their holding companies (if relevant). The HCA is entitled to withhold its consent to such a change in control if the new controller does not have sufficient reputation, financial standing or organisational standing and capacity. A failure to: (i) obtain the HCA's consent to a change in control; and (ii) provide the HCA with notice of the change in control within a specified time period, is an event of default under each of these agreements. On such an event of default the HCA may, by notice in writing to BDW, terminate each debt facility agreement and require BDW to prepay the project financing. For these purposes a 'change in control' means the acquisition by a person or a group of persons acting together such that they gain beneficial ownership of more than 50 per cent of the issued share capital of the relevant company, have the right to appoint the majority of the directors of the relevant company or otherwise control the votes at board meetings of the relevant company.

The note purchase agreements also impose upon the holders customary restrictions on resale or transfer of the notes, such as the transfer being subject to a de minimis amount.

On behalf of the Board

Tom Keevil

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

10 September 2013

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

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

By order of the Board

Mark Clare
GROUP CHIEF EXECUTIVE
10 September 2013

David Thomas
GROUP FINANCE DIRECTOR
10 September 2013

The Report of the Directors from pages 2 to 83 inclusive was approved by the Board on 10 September 2013 and is signed on its behalf by:

Tom Keevil
GROUP GENERAL COUNSEL AND COMPANY SECRETARY
10 September 2013

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 2013, 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 36. 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 Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2013 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 Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors' for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the 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.

Mark Goodey (Senior statutory auditor)

for and on behalf of Deloitte LLP

CHARTERED ACCOUNTANTS AND STATUTORY AUDITOR

London, United Kingdom

10 September 2013

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2013

	Notes	2013 Before exceptional items £m	2013 Exceptional items (note 3) £m	2013 £m	2012 Before exceptional items £m	2012 Exceptional items (note 3) £m	2012 £m
Continuing operations							
Revenue	1, 2	2,606.2	–	2,606.2	2,323.4	–	2,323.4
Cost of sales		(2,247.0)	–	(2,247.0)	(2,027.2)	–	(2,027.2)
Gross profit		359.2	–	359.2	296.2	–	296.2
Administrative expenses		(106.5)	(2.8)	(109.3)	(105.1)	–	(105.1)
Profit from operations	4	252.7	(2.8)	249.9	191.1	–	191.1
Finance income	5	12.8	–	12.8	16.9	–	16.9
Finance costs	5	(80.8)	(79.3)	(160.1)	(97.7)	–	(97.7)
Net finance costs	5	(68.0)	(79.3)	(147.3)	(80.8)	–	(80.8)
Share of post-tax profit from joint ventures	14	7.7	(5.4)	2.3	0.5	–	0.5
Share of post-tax loss from associates	14	(0.1)	–	(0.1)	(0.1)	–	(0.1)
Loss on re-measurement of joint venture interest on acquisition of control		–	–	–	–	(10.7)	(10.7)
Profit/(loss) before tax		192.3	(87.5)	104.8	110.7	(10.7)	100.0
Tax	7	(50.5)	20.7	(29.8)	(32.6)	–	(32.6)
Profit/(loss) for the year		141.8	(66.8)	75.0	78.1	(10.7)	67.4
Profit/(loss) for the year attributable to equity shareholders		141.8	(66.8)	75.0	78.1	(10.7)	67.4
Earnings per share from continuing operations							
Basic	10			7.7p			7.0p
Diluted	10			7.5p			6.9p

The notes on pages 91 to 144 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

Year ended 30 June 2013

	Notes	2013 £m	Group 2012 (restated*) £m	2013 £m	Company 2012 (restated*) £m
Profit/(loss) for the year		75.0	67.4	950.7	(36.5)
Other comprehensive (expense)/income:					
Items that will not be reclassified to profit or loss					
Actuarial losses on defined benefit pension scheme	27	(4.8)	(24.1)	(4.8)	(24.1)
Fair value adjustment on available for sale financial assets	16	(6.2)	(3.4)	–	–
Tax credit relating to items not reclassified	7, 17	2.3	6.4	0.9	5.8
Total items that will not be reclassified to profit or loss		(8.7)	(21.1)	(3.9)	(18.3)
Items that may be reclassified subsequently to profit or loss					
Amounts deferred in respect of effective cash flow hedges	5, 30	(1.9)	(21.1)	(1.9)	(21.1)
Amounts reclassified to the income statement in respect of hedged cash flows	5, 30	6.7	5.1	6.7	5.1
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur – exceptional	3, 5	18.5	–	18.5	–
Tax (charge)/credit relating to items that may be reclassified	7, 17	(5.8)	3.2	(5.8)	3.2
Total items that may be reclassified subsequently to profit or loss		17.5	(12.8)	17.5	(12.8)
Total comprehensive income/(expense) recognised for the year attributable to equity shareholders		83.8	33.5	964.3	(67.6)

* The presentation of the statement of comprehensive income has been amended as required by the Amendment to IAS 1 'Financial Statement Presentation' which has been adopted in the year.

The notes on pages 91 to 144 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Group 30 June 2013

	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 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 taken directly to equity	–	–	–	3.2	–	–	6.4	6.4	9.6
Total comprehensive (expense)/ income 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
Profit for the year	–	–	–	–	–	–	75.0	75.0	75.0
Amounts deferred in respect of effective cash flow hedges	–	–	–	(1.9)	–	–	–	–	(1.9)
Amounts reclassified to the income statement in respect of hedged cash flows	–	–	–	6.7	–	–	–	–	6.7
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur – exceptional	–	–	–	18.5	–	–	–	–	18.5
Fair value adjustments on available for sale financial assets	–	–	–	–	–	–	(6.2)	(6.2)	(6.2)
Actuarial losses on pension scheme	–	–	–	–	–	–	(4.8)	(4.8)	(4.8)
Tax on items taken directly to equity	–	–	–	(5.8)	–	–	2.3	2.3	(3.5)
Total comprehensive income recognised for the year ended 30 June 2013	–	–	–	17.5	–	–	66.3	66.3	83.8
Issue of shares	0.4	1.7	–	–	–	–	–	–	2.1
Share-based payments	–	–	–	–	–	4.4	–	4.4	4.4
Disposal of own shares	–	–	–	–	1.4	–	–	1.4	1.4
Transfer of share-based payments charge for exercised and non-vested options	–	–	–	–	–	(3.8)	3.8	–	–
Tax on share-based payments	–	–	–	–	–	6.8	0.9	7.7	7.7
At 30 June 2013	98.0	213.4	1,109.0	(19.9)	(3.6)	21.7	1,654.6	1,672.7	3,073.2

The notes on pages 91 to 144 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Company 30 June 2013

	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 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 taken directly to equity	–	–	–	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
Profit for the year	–	–	–	–	–	–	950.7	950.7	950.7
Amounts deferred in respect of effective cash flow hedges	–	–	–	(1.9)	–	–	–	–	(1.9)
Amounts reclassified to the income statement in respect of hedged cash flows	–	–	–	6.7	–	–	–	–	6.7
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur – exceptional	–	–	–	18.5	–	–	–	–	18.5
Actuarial losses on pension scheme	–	–	–	–	–	–	(4.8)	(4.8)	(4.8)
Tax on items taken directly to equity	–	–	–	(5.8)	–	–	0.9	0.9	(4.9)
Total comprehensive income recognised for the year ended 30 June 2013	–	–	–	17.5	–	–	946.8	946.8	964.3
Issue of shares	0.4	1.7	–	–	–	–	–	–	2.1
Share-based payments	–	–	–	–	–	4.4	–	4.4	4.4
Disposal of own shares	–	–	–	–	1.4	–	–	1.4	1.4
Transfer of share-based payments charge for exercised and non-vested options	–	–	–	–	–	(3.8)	–	(3.8)	(3.8)
Tax on share-based payments	–	–	–	–	–	1.9	–	1.9	1.9
At 30 June 2013	98.0	213.4	1,109.0	(19.9)	(3.6)	16.4	2,425.0	2,437.8	3,838.3

The notes on pages 91 to 144 form an integral part of these financial statements.

BALANCE SHEETS

At 30 June 2013

	Notes	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
Assets					
Non-current assets					
Other intangible assets	12	100.0	100.0	–	–
Goodwill	11	792.2	792.2	–	–
Property, plant and equipment	13	3.4	6.4	0.9	1.2
Investments	15	–	–	3,110.4	2,614.0
Investments accounted for using the equity method	14	123.5	85.6	25.8	–
Available for sale financial assets	16	128.4	189.2	–	–
Trade and other receivables	19	4.4	4.1	–	–
Deferred tax assets	17	92.1	118.6	46.6	49.1
Derivative financial instruments – swaps	25	4.1	29.4	4.1	29.4
		1,248.1	1,325.5	3,187.8	2,693.7
Current assets					
Inventories	18	3,209.8	3,226.6	–	–
Available for sale financial assets	16	1.3	–	–	–
Trade and other receivables	19	74.8	50.3	971.9	558.0
Cash and cash equivalents	22	294.4	150.3	274.0	70.1
Derivative financial instruments – swaps	25	25.6	–	25.6	–
Current tax assets		0.4	0.4	0.8	–
		3,606.3	3,427.6	1,272.3	628.1
Total assets		4,854.4	4,753.1	4,460.1	3,321.8
Liabilities					
Non-current liabilities					
Loans and borrowings	24	(166.6)	(331.2)	(136.8)	(331.2)
Trade and other payables	20	(378.1)	(359.4)	–	–
Retirement benefit obligations	27	(13.4)	(21.4)	(13.4)	(21.4)
Derivative financial instruments – swaps	25	(27.1)	(53.3)	(27.1)	(53.3)
		(585.2)	(765.3)	(177.3)	(405.9)
Current liabilities					
Loans and borrowings	24	(181.8)	(12.1)	(226.5)	(13.2)
Trade and other payables	20	(1,013.8)	(1,001.9)	(217.6)	(34.7)
Derivative financial instruments – swaps	25	(0.4)	–	(0.4)	–
		(1,196.0)	(1,014.0)	(444.5)	(47.9)
Total liabilities		(1,781.2)	(1,779.3)	(621.8)	(453.8)
Net assets		3,073.2	2,973.8	3,838.3	2,868.0
Equity					
Share capital	28	98.0	97.6	98.0	97.6
Share premium		213.4	211.7	213.4	211.7
Merger reserve		1,109.0	1,109.0	1,109.0	1,109.0
Hedging reserve		(19.9)	(37.4)	(19.9)	(37.4)
Retained earnings		1,672.7	1,592.9	2,437.8	1,487.1
Total equity		3,073.2	2,973.8	3,838.3	2,868.0

The financial statements of Barratt Developments PLC (registered number 604574) were approved by the Board of Directors and authorised for issue on 10 September 2013. Signed on behalf of the Board of Directors.

Mark Clare
GROUP CHIEF EXECUTIVE

David Thomas
GROUP FINANCE DIRECTOR

The notes on pages 91 to 144 form an integral part of these financial statements.

CASH FLOW STATEMENTS

Year ended 30 June 2013

	Notes	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
Net cash inflow/(outflow) from operating activities	31	165.8	149.7	(330.2)	142.6
Cash flows from investing activities					
Purchase of property, plant and equipment	13	(2.0)	(2.4)	(0.4)	(1.0)
Proceeds on sale of property, plant and equipment		4.0	–	–	–
Acquisition of subsidiaries net of cash acquired	33	–	1.6	–	–
Increase in investments in subsidiaries	15	–	–	(500.0)	–
Disposal of subsidiary undertaking		–	8.0	–	–
Increase in investments accounted for using the equity method	14	(9.9)	(7.9)	(25.8)	–
Investment in property fund	16	(1.3)	–	–	–
Interest received		0.7	0.2	35.2	37.3
Dividends received from subsidiaries		–	–	1,024.5	–
Net cash (outflow)/inflow from investing activities		(8.5)	(0.5)	533.5	36.3
Cash flows from financing activities					
Disposal of own shares		1.4	–	1.4	–
Proceeds from issue of share capital		2.1	6.2	2.1	6.2
Hedging termination costs		(0.3)	(0.4)	(0.3)	(0.4)
Interest rate swap cancellation costs		(18.5)	–	(18.5)	–
Other fees related to amendment of financing arrangements		(14.7)	–	(14.7)	–
Loan drawdowns/(repayments)		16.8	(77.4)	30.6	(171.7)
Net cash (outflow)/inflow from financing activities		(13.2)	(71.6)	0.6	(165.9)
Net increase in cash and cash equivalents		144.1	77.6	203.9	13.0
Cash and cash equivalents at the beginning of the year		150.3	72.7	70.1	57.1
Cash and cash equivalents at the end of the year	22	294.4	150.3	274.0	70.1

The notes on pages 91 to 144 form an integral part of these financial statements.

ACCOUNTING POLICIES

Year ended 30 June 2013

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 13, the Group Finance Director's Review on pages 30 to 33 and the Business Review on pages 18 to 29. The material financial and operational risks and uncertainties that may have an impact upon the Group's performance and their mitigation are outlined on pages 34 to 39 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 26 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 Managing Risk section on pages 34 to 39, factors that particularly affect the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for the Group's customers and interest rates.

On 14 May 2013, the Group agreed a comprehensive refinancing package. This provides the Group with around £850m of committed facilities and private placement notes to June 2016 and £650m to May 2018. The committed facilities and private placement notes now in place provide appropriate headroom above our current forecast requirements. In addition, in order to enable it to take advantage of current opportunities in the land market, the Group has agreed terms upon an additional £50m two year term loan, which we expect to be available from 1 October 2013.

In addition to the new borrowing facilities agreed in May 2013, the Group has secured £30m of financing from the Government's 'Get Britain Building' and 'Growing Places Fund' schemes during the year. These funds are repayable between 30 June 2014 and 30 June 2018.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, 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 2013, the Group has adopted:

- Amendment to IAS 12 'Deferred Tax: Recovery of Underlying Assets'; and
- Amendment to IAS 1 'Financial Statements Presentation'.

The adoption of the amendments to IAS 1 has resulted in changes to the presentation of the statement of comprehensive income. The adoption of both 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 the 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 that 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, IFRS 2 '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 depending on 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 been 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 IAS 23 (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-current 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 16.

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.

Current available for sale financial assets

The Group entered into a seed investment agreement with Hearthstone Investments, a specialist property fund manager. The Group sold showhomes in exchange for units in the new property fund. The Group does not intend to hold this investment in the long-term and it has therefore been designated as a current available for sale financial asset.

Revenue from transactions involving available for sale financial assets is recognised at the fair value of consideration receivable. The fair value of consideration received is the initial fair value of the units received in the property fund.

Gains and losses arising from changes in fair value are recognised in equity within other comprehensive income. The fair value of this investment is calculated using the unadjusted quoted price of units in the property fund obtained from independent brokers.

Gains and losses arising from impairment losses and changes in future cash flows 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 in 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.

Get Britain Building

The Group has received cash upon specific sites under the Government's 'Get Britain Building' scheme which is repayable in future periods, as the sites to which it relates are developed. These loans are interest bearing and are recorded at the proceeds received plus accrued interest. These loans are included within loans and borrowings.

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

Growing Places Fund

The Group has received cash under a local government 'Growing Places Fund' scheme which is repayable over four years in eight six monthly instalments. This loan is interest bearing and recorded at the proceeds received plus accrued interest less repayments to date. This loan is included within loans and borrowings.

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 25 and 26 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 23, 24, 25 and 26 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 they are intended to compensate for. 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 2013 and later periods. IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interest in Other Entities', IFRS 13 'Fair Value Measurement', IAS 27 (Revised), IAS 28 (Revised), Amendment to IFRS 7, Amendment to IAS 1, Amendment to IAS 19 'Employee Benefits', Amendment to IAS 32, Annual Improvements 2009-2011 Cycle and IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine' have been adopted by the EU. IFRS 9 'Financial Instruments' as issued in 2009 and subsequently amended in 2010 has not yet been endorsed by the EU. The Group has not early adopted any standard, amendment or interpretation.

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

- IFRS 9 '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 IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 (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 IFRS 9 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.
- IFRS 13 '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.
- IAS 19 (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. If this amendment had been adopted in the current year this would have resulted in an additional interest charge to the Group of £0.3m.

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 IFRS 7 'Financial Instrument Disclosures'. This amends the disclosure requirements in respect of financial instruments that are set off in accordance with guidance in IAS 32 'Financial Instruments: Presentation'. The amendment applies to the Group from 1 January 2013 and is not expected to have an impact upon the Group.
- Amendment to IAS 32 'Offsetting Financial Assets and Financial Liabilities' will apply to the Group from 1 July 2014. This amendment provides guidance on the application of offsetting in financial statements. This is not expected to have an impact on the Group.
- Amendment to IAS 1 'Government Loans' will apply to the Group from 1 January 2013. This amends IFRS 1 '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.
- The Annual Improvements 2009-2011 Cycle includes amendments to a number of different accounting standards. These amendments will apply from 1 January 2013. None of these amendments are expected to impact the Group.
- IFRIC 20 'Stripping Costs in the Production Phase of a Mine' will apply to the Group from 1 January 2013. This will not have an impact on the Group.
- IFRS 10 'Consolidated Financial Statements' will apply to the Group from 1 July 2014. 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. This will not have an impact on the Group.
- IFRS 11 'Joint Arrangements' will apply to the Group from 1 July 2014. 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. This will not have an impact on the Group.
- IFRS 12 'Disclosure of Interest in Other Entities' will apply to the Group from 1 July 2014. 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. This will not have an impact on the Group.
- IAS 27 (Revised) 'Separate Financial Statements' will apply to the Group from 1 July 2014. None of these amendments are expected to impact the Group.
- IAS 28 (Revised) 'Investments in Associates and Joint Ventures' will apply to the Group from 1 July 2014. None of these amendments are 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 2013 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.

Following the downturn in the market in 2007/08, the Group has conducted 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 provisions remaining are set out in the table below:

	Housebuilding £m	Commercial developments £m	Total £m
Land impairment remaining			
At 1 July 2011	175.7	19.1	194.8
Charge in the year	6.6	–	6.6
Utilised	(70.1)	(0.5)	(70.6)
At 30 June 2012	112.2	18.6	130.8
Charge in the year	3.2	0.5	3.7
Utilised	(39.9)	(11.6)	(51.5)
At 30 June 2013	75.5	7.5	83.0

During the year, due to performance variations upon individual housebuilding sites, there were gross impairment charges of £34.8m (2012: £44.8m) and gross impairment reversals of £22.5m (2012: £31.5m) resulting in a net inventory impairment of £12.3m (2012: £13.3m) included within profit from operations of which £3.2m (2012: £6.6m) relates to sites which have previously been impaired. There was also a gross impairment charge of £0.6m (2012: £3.3m) and a gross impairment reversal of £0.1m (2012: £3.3m) for the commercial developments business, resulting in a net inventory impairment of £0.5m (2012: £nil), 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 costs inflation in future periods.

At 30 June 2013, the Group had a total land holding of £2,127.0m, of which £2,003.9m is land held for current housing development. Of this £189.6m is made up of impaired land, £473.5m consists of non-impaired land purchased prior to mid-2009 where the gross margin is on average c. 8%, and the remaining £1,340.8m has an average gross margin of over 20% based on current house prices.

During the year, the Group has experienced stable market conditions in the first three quarters of the financial year and signs of sustainable improvement in the final quarter. 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, 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 46% of the impaired plots are expected to be realised within one year, 20% between one and two years, and 34% 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 2013, is as follows:

Uniform fall in national house prices %	Indicative impairment £m
5	103
10	171

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, and 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 have an 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 IAS 11 '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 11. 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 2013 was £792.2m with no impairment recognised during the year ended 30 June 2013.

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 12. 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 2013 was £100.0m with no impairment recognised during the year ended 30 June 2013.

Deferred tax assets

At 30 June 2013, the Group recognised a net deferred tax asset of £92.1m comprising gross deferred tax assets of £121.1m and gross deferred tax liabilities of £29.0m. £84.7m 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 £137.0m (2012: £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 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 2013, there was a gain of £6.9m (2012: loss of £16.6m) included in equity related to these swaps.

In addition, the Group has US\$246.6m (2012: US\$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, any changes in fair value of the swaps would be recognised in the income statement, rather than equity. During the year ended 30 June 2013, there was a gain of £0.7m (2012: £4.6m) included in equity related to these swaps.

Non-current available for sale financial assets

The Group holds non-current 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 and 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. At 30 June 2013, the asset recognised on the balance sheet was £128.4m (2012: £189.2m).

Investment in joint venture holding non-current available for sale financial assets

The Group holds a joint venture investment of £25.8m (2012: £nil) in Rose Shared Equity LLP. This entity holds non-current available for sale financial assets comprising interest free loans that are secured by way of a second charge on the respective property. The Group's investment is accounted for using the equity method of accounting. In line with the Group's other joint venture investments, the carrying value is reviewed at each balance sheet date. This review requires estimation of the cash flows expected to be received by the Group which is based upon calculation of the fair values of the loans held by the entity including an estimate of 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 redemption, 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 and local market conditions with an allowance for low single-digit sales price inflation. The estimated repayment profile is based on historic 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue

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

	Notes	2013 £m	2012 £m
Sale of goods		2,442.2	2,162.3
Contract accounting revenue		164.0	161.1
Revenue as stated in the income statement		2,606.2	2,323.4
Lease income	32	2.6	3.4
Finance income	5	12.8	16.9
Forfeit deposits		0.7	0.5
Other income		19.9	16.6
Total revenue		2,642.2	2,360.8

Sale of goods includes £517.2m (2012: £448.9m) 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 £304.9m (2012: £271.5m).

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 IFRS 8 'Operating Segments' since these segments are regularly reviewed internally by the 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	2013 Total Units	House- building Units	Commercial developments Units	2012 Total Units
Residential completions	13,246	–	13,246	12,637	–	12,637
Income statement	£m	£m	£m	£m	£m	£m
Revenue	2,592.6	13.6	2,606.2	2,286.8	36.6	2,323.4
Cost of sales	(2,236.9)	(10.1)	(2,247.0)	(1,997.7)	(29.5)	(2,027.2)
Gross profit	355.7	3.5	359.2	289.1	7.1	296.2
Administrative expenses – non-exceptional	(103.0)	(3.5)	(106.5)	(99.5)	(5.6)	(105.1)
Profit from operations before exceptional items	252.7	–	252.7	189.6	1.5	191.1
Administrative expenses – exceptional	(2.8)	–	(2.8)	–	–	–
Profit from operations	249.9	–	249.9	189.6	1.5	191.1
Share of post-tax profit/(loss) from joint ventures and associates – non-exceptional	7.7	(0.1)	7.6	0.7	(0.3)	0.4
Exceptional loss on joint ventures	–	(5.4)	(5.4)	–	–	–
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	257.6	(5.5)	252.1	179.6	1.2	180.8
Finance income			12.8			16.9
Finance costs – non-exceptional			(80.8)			(97.7)
Finance costs – exceptional			(79.3)			–
Profit before tax			104.8			100.0
Tax			(29.8)			(32.6)
Profit for the year from continuing operations			75.0			67.4

2. Segmental analysis (continued)

	House- building £m	Commercial developments £m	2013 Total £m	House- building £m	Commercial developments £m	2012 Total £m
Balance sheet						
Segment assets	4,442.0	60.1	4,502.1	4,443.5	79.5	4,523.0
Elimination of intercompany balances			(34.6)			(39.2)
			4,467.5			4,483.8
Deferred tax assets			92.1			118.6
Current tax assets			0.4			0.4
Cash and cash equivalents			294.4			150.3
Consolidated total assets			4,854.4			4,753.1
Segment liabilities	(1,425.2)	(42.2)	(1,467.4)	(1,437.0)	(38.2)	(1,475.2)
Elimination of intercompany balances			34.6			39.2
			(1,432.8)			(1,436.0)
Loans and borrowings			(348.4)			(343.3)
Consolidated total liabilities			(1,781.2)			(1,779.3)
Other information	£m	£m	£m	£m	£m	£m
Capital additions	2.0	–	2.0	2.0	0.4	2.4
Depreciation	1.6	–	1.6	1.5	0.1	1.6

3. Exceptional items

In the year ended 30 June 2013 there were the following exceptional items:

Debt refinancing

On 14 May 2013, the Group agreed a comprehensive refinancing package. The Group entered into a new £700m revolving credit facility, reducing to £550m in June 2016 and maturing in May 2018. The Group will retain the US\$80m of private placement notes that were issued in May 2011 and mature in August 2017 and the £100m term loan that was drawn in July 2011, of which 25% is scheduled to be repaid in 2019, 25% in 2020 and the balance in 2021. As a result of this refinancing the Group has incurred fees of £14.9m which are being amortised over the life of the facilities. In addition, the Group has accelerated the amortisation of refinancing fees previously capitalised of £7.8m.

The Group's private placement notes that were issued in 2007 and 2008 (which amounted to £151.9m equivalent), together with the associated foreign exchange swaps, were cancelled with effect from 2 July 2013. The interest make-whole of £53.0m has been recognised as an exceptional charge in the income statement as the Group was irrevocably committed to this repayment as at 30 June 2013.

The Group has cancelled £55m nominal value of interest rate swaps resulting in an exceptional interest charge of £18.5m.

As a result of the refinancing, total exceptional finance costs were £79.3m with a related tax credit of £18.8m.

Part sale of non-current available for sale financial asset

On 13 May 2013, the Group entered into a joint venture, Rose Shared Equity LLP ('Rose'), with a fund managed by Anchorage Capital Group LLC ('Anchorage'). The Group disposed of the majority of its own equity share loans that originated in the period from 1 January 2009 to 31 December 2011 into the joint venture at no gain or loss. Anchorage acquired a 50% interest in Rose for £33.7m. The Group has recognised exceptional administrative costs related to fees upon this transaction and the comprehensive debt refinancing of £2.8m with a related tax credit of £0.6m.

Impairment of inventory relating to investments accounted for using the equity method

At 30 June 2013, the Group conducted an impairment review of its share of the inventories included within its investments accounted for using the equity method. This resulted in an impairment charge for the year of £5.4m with a related tax credit of £1.3m. Further details are given in note 14.

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 its share for £1. As required by IFRS 3 (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 33.

4. Profit from operations

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

	Notes	2013 £m	2012 £m
Staff costs	9	262.0	239.0
Government grants		(7.4)	(18.0)
Depreciation of property, plant and equipment	13	1.6	1.6
Profit on disposal of property, plant and equipment		0.6	–
Lease income	32	(2.6)	(3.4)
Operating lease charges			
– hire of plant, machinery and vehicles		22.1	17.6
– other		13.8	12.7

Government grants of £7.8m (2012: £8.3m) were received in the year relating to Government initiatives including the National Affordable Housing Programme, Affordable Homes Programme and Kickstart. Grant income of £7.4m (2012: £18.0m) was recognised in the income statement in relation to house sales completed under these initiatives.

Administrative expenses before exceptional costs of £106.5m (2012: £105.1m) includes sundry income of £20.6m (2012: £17.1m) 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 70 and in note 9.

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

Auditor's remuneration	2013 £000	2012 £000
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	67	65
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	245	235
Total audit fees	312	300
Audit-related assurance services	93	102
Taxation compliance services	97	110
Other taxation advisory services	138	70
Corporate finance services	35	139
Other services	10	7
Total fees for other services	373	428
Total fees related to the Company and its subsidiaries	685	728

Details of the Group's policy on the use of the auditor for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 55. No services were provided pursuant to contingent fee arrangements.

Audit-related assurance services mainly comprise the review of the interim report. Corporate finance services related to property advice provided in relation to certain pieces of land held by the Group. Other taxation advisory services comprise advice to the Group's refinancing, new joint ventures and various land acquisitions and disposals.

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:

	2013 £000	2012 £000
The audit of the Company's joint ventures pursuant to legislation	102	54
Other services	118	–
Total fees related to joint ventures	220	54

5. Net finance costs

Recognised in income statement

	Notes	2013 £m	2012 £m
Finance income on short-term bank deposits		(0.1)	(0.1)
Imputed interest on available for sale financial assets	16	(10.2)	(12.0)
Finance income related to employee benefits	27	–	(1.2)
Other interest receivable		(2.5)	(3.6)
Finance income		(12.8)	(16.9)
Interest on loans and borrowings		37.7	48.9
Imputed interest on deferred term land payables		26.5	28.8
Finance costs related to employee benefits	27	0.5	–
Amounts reclassified to the income statement in respect of hedged cash flows	30	6.7	5.1
Foreign exchange losses on US Dollar debt	6	2.8	4.0
Amortisation of facility fees		4.6	3.5
Imputed interest on Kickstart equity funding		(0.9)	(0.2)
Other interest payable		2.9	7.6
Finance costs before exceptional items		80.8	97.7
Net finance costs before exceptional items		68.0	80.8
Exceptional finance costs			
Make-whole fee on redemption of private placement notes		53.0	–
Hedging termination costs		18.5	–
Write-off of previous facility unamortised fees		7.8	–
Exceptional finance costs	3	79.3	–
Total finance costs		160.1	97.7
Net finance costs		147.3	80.8

Recognised in equity

	Notes	2013 £m	2012 £m
Amounts deferred in respect of effective cash flow hedges	30	1.9	21.1
Total fair value losses on cash flow swaps included in equity		1.9	21.1
Amounts reclassified to the income statement in respect of hedged cash flows	30	(6.7)	(5.1)
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur – exceptional	3	(18.5)	–
Total fair value losses on cash flow swaps transferred to equity		(25.2)	(5.1)

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	2013 £m	2012 £m
Loans and receivables			
Impairment of trade receivables	19	3.2	2.4
Non-current available for sale financial assets			
Net (profit)/loss transferred on sale		(0.2)	0.3
Net impairment of available for sale financial assets	16	6.1	11.8
Current available for sale financial assets			
Net loss transferred on sale		–	–
Other financial liabilities			
Foreign exchange losses on US Dollar debt	5	2.8	4.0
Transfers from hedged items			
Transfer from equity on currency cash flow hedges		(2.8)	(4.0)

7. Tax

Analysis of the tax charge for the year

	Notes	2013 £m	2012 £m
Current tax			
UK corporation tax for the year		(0.9)	(0.9)
Adjustment in respect of previous years		–	(0.2)
		(0.9)	(1.1)
Deferred tax			
Origination and reversal of temporary differences		25.2	27.3
Adjustment in respect of previous years		2.2	(2.3)
Impact of reduction in corporation tax rate		3.3	8.7
	17	30.7	33.7
Tax charge for the year		29.8	32.6

In addition to the amount charged to the income statement, a net deferred tax credit of £4.2m (2012: £10.3m) was recognised directly in equity (note 17).

Factors affecting the tax charge for the year

The tax rate assessed for the year is higher (2012: higher) than the standard effective rate of corporation tax in the UK of 23.75% (2012: 25.5%).

The differences are explained below:

	2013 £m	2012 £m
Profit before tax	104.8	100.0
Profit before tax multiplied by the standard rate of corporation tax of 23.75% (2012: 25.5%)	24.9	25.5
Effects of:		
Other items including non-deductible expenses	1.8	–
Loss on re-measurement of joint venture interest on acquisition of control	–	2.7
Additional tax relief for land remediation costs	(1.4)	(2.0)
Adjustment in respect of previous years	2.2	(2.5)
Tax in respect of joint ventures	(0.2)	(0.2)
Tax on share-based payments	(0.8)	0.4
Impact of change in tax rate on deferred tax asset	3.3	8.7
Tax charge for the year	29.8	32.6

Legislation reducing the main rate of corporation tax to 23% with effect from 1 April 2013 was enacted on 17 July 2012. Accordingly, the current year tax charge has been provided for at an effective rate of 23.75% and the closing deferred tax asset has been provided for at a rate of 23% in these financial statements.

Additional reductions in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and from 21% to 20% with effect from 1 April 2015 were enacted within the Finance Act 2013 on 17 July 2013. As these reductions were not substantively enacted by the balance sheet date, their effect has not been reflected in these financial statements.

If the deferred tax assets and liabilities of the Group were all to reverse after 2015, the effect of the reduction from 23% to 20% would be to reduce the net deferred tax asset by £12.0m. To the extent that the net deferred tax asset reverses more quickly than this, the impact of the rate reductions on the net deferred tax asset will be reduced.

8. Dividends

	2013 £m	2012 £m
Proposed final dividend for the year ended 30 June 2013 of 2.5 pence (2012: nil pence) per share	24.4	–

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability at 30 June 2013.

9. Key management and employees

Key management personnel, as defined under IAS 24 'Related Party Disclosures', have been identified as the Board of Directors as the controls operated by the Group ensure that all key decisions are reserved for the Board. Detailed disclosures of Directors' individual remuneration, pension entitlements and share options, for those Directors who served during the year, are given in the audited sections of the Remuneration Report on pages 57 to 78 which form part of these financial statements. A summary of key management remuneration is as follows:

	2013 £m	2012 £m
Salaries and fees (including pension compensation)	2.5	2.8
Social security costs	2.3	0.8
Performance bonus	2.3	2.1
Benefits	0.1	0.1
Share-based payments	1.3	1.0
	8.5	6.8

	2013 Number	Group 2012 Number
Housebuilding – average staff numbers (excluding subcontractors, including Directors)	4,755	4,424
Commercial developments – average staff numbers (excluding subcontractors, including Directors)	26	27

	Notes	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
Wages and salaries including bonuses (including Directors)		221.3	206.1	6.6	16.0
Redundancy costs		0.2	0.6	–	0.1
Social security costs		29.1	22.5	2.3	1.5
Other pension costs	27	7.0	6.7	0.1	0.5
Share-based payments	29	4.4	3.1	1.2	0.9
Total staff costs	4	262.0	239.0	10.2	19.0

Staff costs for the Company in 2013 are stated after the recharge of staff to other Group companies.

10. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £75.0m (2012: £67.4m) by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust which are treated as cancelled, which was 973.7m shares (2012: 963.9m).

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £75.0m (2012: £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 998.7m shares (2012: 979.6m).

The earnings per share from continuing operations were as follows:

	2013 pence	2012 pence
Basic earnings per share	7.7	7.0
Adjusted basic earnings per share	14.6	8.1
Diluted earnings per share	7.5	6.9
Adjusted diluted earnings per share	14.2	8.0

10. Earnings per share (continued)

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

	2013 £m	Basic 2013 pence	Diluted 2013 pence	2012 £m	Basic 2012 pence	Diluted 2012 pence
Profit for basic and diluted earnings per share	75.0	7.7	7.5	67.4	7.0	6.9
Add: exceptional administrative expenses	2.8	0.3	0.3	—	—	—
Add: exceptional finance costs	79.3	8.1	7.9	—	—	—
Add: exceptional impairment of joint venture	5.4	0.6	0.5	—	—	—
Add: exceptional loss on re-measurement of joint venture on acquisition of control	—	—	—	10.7	1.1	1.1
Less: tax effect of above items	(20.7)	(2.1)	(2.0)	—	—	—
Earnings for basic and adjusted diluted earnings per share	141.8	14.6	14.2	78.1	8.1	8.0

Earnings are adjusted, removing exceptional finance costs, exceptional loss on joint ventures and the related tax to reflect the Group's underlying profit.

11. Goodwill

	Group £m
Cost	
At 1 July 2011, 30 June 2012 and 30 June 2013	816.7
Accumulated impairment losses	
At 1 July 2011, 30 June 2012 and 30 June 2013	24.5
Carrying amount	
At 30 June 2012 and 30 June 2013	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 a 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 2013 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 12.2% (2012: 12.9%) 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 2013 impairment review is calculated using the average capital structure of the Group during the financial year, consistent with the prior year, due to the cyclical nature of the Group's borrowing requirements and reflects the Group's reduced borrowing costs following the comprehensive refinancing completed during the year.
- 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 as a result of 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.

11. Goodwill (continued)

The conclusion of this impairment review was that the Group's goodwill and intangible assets related to the housebuilding segment was not impaired.

The impairment review of goodwill and intangible assets at 30 June 2013 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 £1,140.6m (2012: £379.1m).

If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reducing by 3.8% per annum (2012: 1.0% per annum) or the appropriate discount rate were to increase by 2.6% (2012: 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 100.

12. Other intangible assets

	Group Brands £m
Cost	
At 1 July 2011, 30 June 2012 and 30 June 2013	107.0
Amortisation	
At 1 July 2011, 30 June 2012 and 30 June 2013	7.0
Carrying amount	
At 30 June 2012 and 30 June 2013	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 2013, an impairment review was conducted using the calculations and assumptions as explained in note 11. 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 100.

13. 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 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
Additions	–	2.0	2.0	–	0.4	0.4
Disposals	(4.2)	(1.0)	(5.2)	–	–	–
At 30 June 2013	3.4	13.5	16.9	0.9	6.2	7.1
Depreciation						
At 1 July 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
Charge for the year	0.2	1.4	1.6	–	0.7	0.7
Disposals	(1.1)	(0.7)	(1.8)	–	–	–
At 30 June 2013	3.2	10.3	13.5	0.9	5.3	6.2
Net book value						
At 30 June 2012	3.5	2.9	6.4	–	1.2	1.2
At 30 June 2013	0.2	3.2	3.4	–	0.9	0.9

Authorised future capital expenditure that was contracted but not provided for in these financial statements amounted to £0.7m (2012: £0.1m).

14. Investments accounted for using the equity method

During the year, the Group entered into the following new joint venture arrangements: Fulham Wharf LLP and Barratt Wates (Worthing) Limited. The Group and Company also entered into a new joint venture arrangement, Rose Shared Equity LLP.

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

Joint venture	Percentage owned	Country of registration	Principal activity
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	50.0%	England and Wales	Holding company
Barratt Wates (East Grinstead) No.2 Limited ³	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
Fulham Wharf LLP	50.0%	England and Wales	Housebuilding
Barratt Wates (Worthing) Limited	50.0%	England and Wales	Housebuilding
BKY LLP ⁴	50.0%	England and Wales	Holding company
Rose Shared Equity LLP	50.0%	England and Wales	Investment entity

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

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

³ Barratt Wates (East Grinstead) No.2 Limited is a wholly owned subsidiary of Barratt Wates (East Grinstead) Limited.

⁴ During the year, the Group acquired an additional 16.7% interest in BKY LLP.

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

A number of the Group's joint ventures prepare financial statements which are non-coterminous with the Group. Wandsworth Parkside LLP, Alie Street LLP, Fulham Wharf LLP and Queensland Road LLP prepare financial statements to 31 March, Barratt Osborne Bexley LLP prepares financial statements to 30 September and Barratt Wates (Worthing) Limited prepares financial statements to 30 April. BKY LLP prepares financial statements to 31 December.

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
New Tyne West Development Company LLP	25.0%	England and Wales	Housebuilding

New Tyne West Development Company LLP prepares financial statements to 31 December, which is non-coterminous with the Group.

Joint ventures and associates

	Notes	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
At 1 July		85.6	102.8	—	—
Net increase in investments in joint ventures		36.0	7.6	25.8	—
Net (decrease)/increase in investments in associates		(0.3)	0.3	—	—
Disposal of joint venture interest on acquisition of control	33	—	(25.5)	—	—
Impairment of joint venture investment	3	(5.4)	—	—	—
Share of post-tax profit for the year from joint ventures		7.7	0.5	—	—
Share of post-tax loss for the year from associates		(0.1)	(0.1)	—	—
At 30 June		123.5	85.6	25.8	—

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 IFRS 3 (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 33.

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

	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
Current assets	190.3	113.9	—	—
Non-current assets	29.9	0.6	25.8	—
Current liabilities	(51.1)	(13.0)	—	—
Non-current liabilities	(162.3)	(101.3)	—	—
Net assets of joint ventures	6.8	0.2	25.8	—

The Group has made loans of £122.2m (2012: £83.6m) 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 of joint ventures is a proportion of loans to the joint ventures calculated using the Group's ownership share of £125.5m (2012: £82.4m). The Company has made loans to its joint ventures of £25.8m (2012: £nil).

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

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

	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
Income	67.4	32.6	–	–
Expenses	(57.7)	(31.3)	–	–
	9.7	1.3	–	–
Tax	(2.0)	(0.8)	–	–
Share of post-tax profit from joint ventures before exceptional items	7.7	0.5	–	–
Exceptional impairment of joint venture	(5.4)	–	–	–
Share of post-tax profit from joint ventures	2.3	0.5	–	–

During the year, the Group and Company entered into a number of transactions with their 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 35. The Group and Company have a number of contingent liabilities relating to their joint ventures. Further details on these are provided in note 34.

Associates

In relation to the Group's interests in associates, the Group's share of assets and liabilities of the associates is a liability of £0.2m at 30 June 2013 (2012: asset £0.3m). The Group's share of the associates' expenses during the year was £0.1m (2012: £0.1m).

The Group has made loans of £nil (2012: £0.3m) 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 35.

The Group has contingent liabilities relating to its associates. Further details on these are provided in note 34.

15. Investments

	2013 £m	Company 2012 £m
Cost		
At 1 July	2,671.6	2,675.3
Increase in investment in subsidiaries	500.0	–
Decrease in investment in subsidiaries related to share-based payments	(0.7)	(3.7)
At 30 June	3,170.9	2,671.6
Impairment		
At 1 July	57.6	57.6
Impairment of investments in subsidiaries	2.9	–
At 30 June	60.5	57.6
Net book value		
At 1 July	2,614.0	2,617.7
At 30 June	3,110.4	2,614.0

On 26 June 2013, in order to strengthen the balance sheet of the Company's principal trading subsidiary BDW Trading Limited, the Company invested cash of £500m in return for 500 ordinary shares of £1 each at a premium of £999,999 per share.

The subsidiary undertakings that 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 North Scotland Limited (formerly 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.

16. Available for sale financial assets

Non-current available for sale financial assets

	Notes	2013 £m	Group 2012 £m
At 1 July		189.2	169.4
Additions		23.8	27.7
Disposals		(82.5)	(4.7)
Imputed interest	5	10.2	12.0
Net impairment taken through income statement	6	(6.1)	(11.8)
Fair value adjustment taken through other comprehensive income		(6.2)	(3.4)
At 30 June		128.4	189.2

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 £6.1m (2012: £11.8m) 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 the year ended 30 June 2013 was 8.0% (2012: 7.5%). The movement in the discount rate during the year has resulted in a fair value adjustment charge, which has been taken through other comprehensive income of £6.2m (2012: £3.4m).

The estimated fair value is based on original selling prices and 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 23 and note 26(b)(i).

On 13 May 2013, the Company entered into a joint venture, Rose Shared Equity LLP ('Rose'), with a fund managed by Anchorage Capital Group LLC ('Anchorage'). The Group disposed of the majority of its own equity share loans that originated in the period from 1 January 2009 to 31 December 2011 at no gain or loss. The loans were sold to Rose at their net book value of £59.2m. Anchorage acquired a 50% interest in Rose for £33.7m. Anchorage will receive its initial investment back by way of preferred return and then the partners will share equally all subsequent cash proceeds from the portfolio. The Group has treated this transaction as an asset disposal and investment in a joint venture.

Current available for sale financial assets

During the year, the Group entered into a seed investment agreement with Hearthstone Investments, a specialist residential property fund manager. The Group sold showhomes with a value of £5.1m into the fund in exchange for 5.1m units at an average price of £1.00 per unit. During the year the Group has sold 3.8m units at an average price of £1.00 per unit. At 30 June 2013 the Group held 1.3m units. In accordance with IFRS 7 'Financial Instruments: Disclosures', these financial assets have been classified as Level 1 within the fair value hierarchy. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identifiable assets. At 30 June 2013, based on unadjusted quoted prices the units had a market value of £1.3m. No gain or loss has been recognised in the consolidated statement of comprehensive income for the year ended 30 June 2013. These assets are classified within current assets as available for sale financial assets as the Group does not intend to hold this investment in the long-term.

17. 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 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
Income statement credit/(charge)	0.1	1.5	(44.2)	–	1.0	(0.1)	11.0	(30.7)
Amounts taken directly to equity	(2.2)	6.8	4.0	(5.8)	–	–	1.4	4.2
At 30 June 2013	3.1	9.1	84.7	6.1	(23.0)	1.1	11.0	92.1

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 £6.0m (2012: £5.4m) 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 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
Income statement credit/(charge)	0.1	0.6	0.6	–	0.1	(0.9)	0.5
Amounts taken directly to equity	(2.2)	1.9	3.1	(5.8)	–	–	(3.0)
At 30 June 2013	3.1	2.5	33.3	6.1	0.5	1.1	46.6

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	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
Pension scheme	27	3.1	5.2	3.1	5.2
Hedging		6.1	11.9	6.1	11.9
Losses		84.7	124.9	33.3	29.6
Share options		9.1	0.8	2.5	–
Other items, including capital allowances		18.1	5.5	1.6	2.4
Deferred tax assets		121.1	148.3	46.6	49.1
Brands		(23.0)	(24.0)	–	–
Other items		(6.0)	(5.7)	–	–
Deferred tax liabilities		(29.0)	(29.7)	–	–
Net deferred tax asset		92.1	118.6	46.6	49.1

18. Inventories

	2013 £m	Group 2012 £m
Land held for development	2,127.0	2,077.3
Construction work in progress	1,001.9	1,065.5
Part-exchange properties	79.0	80.2
Other inventories	1.9	3.6
	3,209.8	3,226.6

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 2013, 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. During the year, due to performance variations upon individual housebuilding sites, there were gross impairment charges of £34.8m (2012: £44.8m) and gross impairment reversals of £22.5m (2012: £31.5m) resulting in a net inventory impairment of £12.3m (2012: £13.3m) included within profit from operations. There was also a gross impairment charge of £0.6m (2012: £3.3m) and a gross impairment reversal of £0.1m (2012: £3.3m) for the commercial developments business, resulting in a net inventory impairment of £0.5m (2012: £nil), 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 99.

During the year, the Group has experienced stable market conditions in the first three quarters of the financial year and signs of sustainable improvement in the final quarter. 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, further adjustments to the carrying value of land and work in progress may be required.

Following these impairments, £325.7m (2012: £607.5m) 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 the year ended 30 June 2013 and included in cost of sales was £2,139.3m (2012: £1,900.5m) including the inventory impairments.

d) Company

The Company has no inventories.

19. Trade and other receivables

	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
Non-current assets				
Other receivables	4.4	4.1	–	–
	4.4	4.1	–	–
Current assets				
Trade receivables	54.4	34.6	–	–
Amounts due from subsidiary undertakings	–	–	969.6	556.4
Other receivables	12.5	8.4	0.8	0.5
Prepayments and accrued income	7.9	7.3	1.5	1.1
	74.8	50.3	971.9	558.0

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:

	2013 £m	Group 2012 £m
Ageing of overdue but not impaired receivables		
Less than three months	6.6	4.3
Greater than three months	2.1	2.1

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

	Notes	2013 £m	Group 2012 £m
At 1 July		3.5	3.8
Charge for the year	6	3.2	2.4
Uncollectible amounts written off, net of recoveries		(3.7)	(2.7)
At 30 June		3.0	3.5

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 23.

20. Trade and other payables

	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
Non-current liabilities				
Land payables	373.7	358.0	–	–
Other payables	4.4	1.4	–	–
	378.1	359.4	–	–
Current liabilities				
Trade payables	250.0	291.4	1.6	2.8
Land payables	370.7	368.1	–	–
Amounts due to subsidiary undertakings	–	–	136.1	–
Accruals and deferred income	324.7	289.4	79.9	31.9
Other tax and social security	1.4	1.5	–	–
Other payables	67.0	51.5	–	–
	1,013.8	1,001.9	217.6	34.7

Accruals and deferred income includes a £4.9m (2012: £0.7m) social security accrual relating to share-based payments (note 29).

The Group has £384.2m (2012: £284.7m) of payables 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 24.

21. Contract accounting

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

	2013 £m	Group 2012 £m
Amounts due from contract customers included in trade and other receivables	9.0	10.8
Amounts due to contract customers included in trade and other payables	(4.8)	(13.1)
	4.2	(2.3)
Contract costs incurred plus recognised profits less recognised losses to date	99.6	142.5
Less: progress billings	(95.4)	(144.8)
	4.2	(2.3)

At 30 June 2013, retentions held by customers for contract work amounted to £7.0m (2012: £8.6m), of which £1.7m (2012: £2.3m) are due for settlement after twelve months. Advances received from customers for contract work amounted to £16.2m (2012: £17.1m), of which £7.1m (2012: £8.6m) relates to work which is not expected to be performed in the next twelve months.

22. Cash and cash equivalents

	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
Cash and cash equivalents	294.4	150.3	274.0	70.1

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 23.

23. Financial assets

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

	Notes	Fair value £m	2013 Carrying value £m	Fair value £m	Group 2012 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	25	29.7	29.7	29.4	29.4
Loans and receivables					
Cash and cash equivalents	22	294.4	294.4	150.3	150.3
Trade and other receivables		52.1	52.1	27.4	27.4
Available for sale					
Non-current available for sale financial assets	16	128.4	128.4	189.2	189.2
Current available for sale financial assets	16	1.3	1.3	–	–
Total financial assets		505.9	505.9	396.3	396.3

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

	Notes	Fair value £m	2013 Carrying value £m	Fair value £m	Company 2012 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	25	29.7	29.7	29.4	29.4
Loans and receivables					
Cash and cash equivalents	22	274.0	274.0	70.1	70.1
Trade and other receivables	19	0.8	0.8	0.5	0.5
Intercompany loans	19	969.6	969.6	556.4	556.4
Total financial assets		1,274.1	1,274.1	656.4	656.4

On 14 May 2013, the Company agreed a comprehensive refinancing package, the prepayment of £65.8m private placement notes, the prepayment of US\$166.6m private placement notes and cancellation of the associated foreign exchange swaps, and the cancellation of £55m nominal value of interest rate swaps. Of the total derivative financial asset as at 30 June 2013, £25.2m was cancelled on 2 July 2013 when the associated private placement notes were prepaid.

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 24(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 2013 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial assets	25	29.7	–	–	29.7
Available for sale					
Non-current available for sale financial assets	16	–	–	128.4	128.4
Current available for sale financial assets	16	1.3	–	–	1.3
Total		31.0	–	128.4	159.4

23. Financial assets (continued)

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Group 2012 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial assets	25	29.4	–	–	29.4
Available for sale					
Non-current available for sale financial assets	16	–	–	189.2	189.2
Current available for sale financial assets	16	–	–	–	–
Total		29.4	–	189.2	218.6

Further disclosures for available for sale assets are provided in note 16 and note 26 (b)(i).

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Company 2013 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial assets	25	29.7	–	–	29.7
Total		29.7	–	–	29.7

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Company 2012 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial assets	25	29.4	–	–	29.4
Total		29.4	–	–	29.4

24. 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	2013 Carrying value £m	Fair value £m	Group 2012 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	25	27.5	27.5	53.3	53.3
Other financial liabilities					
Bank overdrafts	24b	4.1	4.1	–	–
Trade and other payables		1,231.5	1,235.1	1,204.5	1,199.1
Loans and borrowings	24b	404.9	344.3	365.9	343.3
Total financial liabilities		1,668.0	1,611.0	1,623.7	1,595.7

24. 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	2013 Carrying value £m	Fair value £m	Company 2012 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	25	27.5	27.5	53.3	53.3
Other financial liabilities					
Bank overdrafts	24b	50.9	50.9	2.4	2.4
Trade and other payables		71.0	71.0	28.8	28.8
Intercompany payables	20	136.1	136.1	–	–
Loans and borrowings	24b	373.0	312.4	364.6	342.0
Total financial liabilities		658.5	597.9	449.1	426.5

During June 2013, the Group cancelled £55m nominal value of interest rate swaps. Further details are provided in note 3.

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 non-current 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.
- The fair value of current available for sale financial assets are calculated using the unadjusted quoted price of units in the property fund obtained from independent brokers.
- 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, and items secured by legal charge as disclosed in note 20.

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 2013 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial liabilities	25	27.5	–	–	27.5
Total		27.5	–	–	27.5

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Group 2012 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial liabilities	25	53.3	–	–	53.3
Total		53.3	–	–	53.3

24. Financial liabilities (continued)

a) Fair value and carrying value (continued)

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Company 2013 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial liabilities	25	27.5	–	–	27.5
Total		27.5	–	–	27.5

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Company 2012 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial liabilities	25	53.3	–	–	53.3
Total		53.3	–	–	53.3

b) Drawn debt facilities

The drawn debt at 30 June comprises:

	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
Non-current				
Bank loans*	–	6.2	–	6.2
Term loans	85.0	100.0	85.0	100.0
Government loans	29.8	–	–	–
Private placement notes	51.8	225.0	51.8	225.0
Total non-current borrowings	166.6	331.2	136.8	331.2
Current				
Bank overdrafts	4.1	–	50.9	2.4
Loan notes	–	0.2	–	0.2
Private placement notes	175.6	10.6	175.6	10.6
Kickstart equity funding	1.6	1.3	–	–
Government loans	0.5	–	–	–
Total current borrowings	181.8	12.1	226.5	13.2
Total borrowings	348.4	343.3	363.3	344.4

* Non-current bank loans at 30 June 2012 of £106.2m have been recategorised as £6.2m bank loans and the term loan of £100.0m.

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

	2013 %	Group 2012 %	2013 %	Company 2012 %
Bank loans net of swap interest*	6.6	5.0	6.6	5.0
Government loans	2.7	–	–	–
Loan notes	–	0.7	–	0.7
Term loans*	5.3	5.7	5.3	5.7
Private placement notes*	10.8	10.7	10.8	10.7

* The weighted average interest rates disclosed above have been restated to exclude amortised fees and non-utilisation fees as the Directors are of the opinion that this provides more relevant information as to the interest rates paid upon the Group's borrowings.

24. Financial liabilities (continued)

b) Drawn debt facilities (continued)

The principal features of the Group's drawn debt facilities at 30 June 2013 were as follows:

i) Committed facilities

- A committed £700.0m revolving credit facility, reducing to £550.0m in June 2016, was made available under credit agreements dated 14 May 2013 as part of the Group's comprehensive refinancing. As at 30 June 2013, £nil was drawn. The maturity date of this facility is 14 May 2018.
- A committed £100.0m term loan, of which £100.0m was drawn at 30 June 2013, made available under a credit agreement dated 10 May 2011 (as amended from time to time and most recently with effect from 14 May 2013), the maturity of which is scheduled to be repaid as follows: 25% on 1 July 2019; 25% on 1 July 2020; and 50% on 1 July 2021.
- Committed loans of £30.3m have been obtained in the year under the Government's 'Get Britain Building' and local government 'Growing Places Fund' schemes. These loans are due to be repaid between 30 June 2014 and 30 June 2018 with the majority due in the year ending 30 June 2018.

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). As part of the comprehensive refinancing agreed on 14 May 2013, these private placement notes were prepaid in full on 2 July 2013.

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 (as amended from time to time and most recently with effect from 14 May 2013).
- 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). As part of the comprehensive refinancing agreed on 14 May 2013, these private placement notes were prepaid in full on 2 July 2013.
- 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). These notes matured and were repaid on 23 April 2013.
- 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). As part of the comprehensive refinancing agreed on 14 May 2013, these private placement notes were prepaid in full on 2 July 2013.

iv) Floating rate Sterling loan notes

- The Group had £nil (2012: £0.2m) Sterling loan notes at 30 June 2013. These loan notes were repaid on 2 July 2012.

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.

24. Financial liabilities (continued)

c) Net debt

Net debt at 30 June 2013 is shown below:

	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
Cash and cash equivalents	294.4	150.3	274.0	70.1
Non-current borrowings				
Bank loans*	–	(6.2)	–	(6.2)
Term loans*	(85.0)	(100.0)	(85.0)	(100.0)
Government loans	(29.8)	–	–	–
Private placement notes	(51.8)	(225.0)	(51.8)	(225.0)
Total non-current borrowings	(166.6)	(331.2)	(136.8)	(331.2)
Current borrowings				
Bank overdrafts	(4.1)	–	(50.9)	(2.4)
Loan notes	–	(0.2)	–	(0.2)
Government loans	(0.5)	–	–	–
Private placement notes	(175.6)	(10.6)	(175.6)	(10.6)
Kickstart equity funding	(1.6)	(1.3)	–	–
Total current borrowings	(181.8)	(12.1)	(226.5)	(13.2)
Total borrowings	(348.4)	(343.3)	(363.3)	(344.4)
Derivative financial instruments				
Foreign exchange swaps	28.1	25.3	28.1	25.3
Net debt	(25.9)	(167.7)	(61.2)	(249.0)

* Non-current bank loans at 30 June 2012 of £106.2m have been recategorised as £6.2m bank loans and the term loan of £100.0m.

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. 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:

	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
Foreign exchange swap – exchange rate element	28.1	25.3	28.1	25.3
Foreign exchange swap – interest rate element	1.2	3.3	1.2	3.3
	29.3	28.6	29.3	28.6
Interest rate swaps	(27.1)	(52.5)	(27.1)	(52.5)
Net derivative financial instruments	2.2	(23.9)	2.2	(23.9)

On 14 May 2013, the Group completed a comprehensive refinancing package and as part of this, irrevocably committed to prepay US\$166.6m of private placement notes and cancel the associated foreign exchange swaps, with effect from no later than 2 July 2013. Accordingly, on 2 July 2013 foreign exchange swaps of US\$166.6m were cancelled.

25. 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 26. Neither the Group nor the Company enters into any derivatives for speculative purposes.

	Asset £m	2013 Liability £m	Asset £m	Group and Company 2012 Liability £m
Designated as cash flow hedges				
Non-current				
Interest rate swaps	–	(27.1)	–	(52.5)
Foreign exchange swaps	4.1	–	29.4	(0.8)
Current				
Foreign exchange swaps	25.6	(0.4)	–	–
Total derivative financial instruments	29.7	(27.5)	29.4	(53.3)

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.

The Group's and Company's £60.0m 2017 and £25.0m 2022 interest rate swap arrangements contain a clause that allows the Group and the Company or counterparty to cancel the swap in May 2015 at fair value.

As at 30 June 2013, the Group had outstanding net floating rate Sterling debt and overdrafts of £117.4m (2012: £106.5m) and the Company had outstanding net floating rate Sterling debt and overdrafts of £135.9m (2012: £108.9m). In obtaining this funding, the Group and the Company sought to achieve certainty as to 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 £137.0m (2012: £192.0m) of this debt into fixed rate Sterling debt in accordance with the Group and Company treasury policy outlined in note 26. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

£m	Fixed rate payable %	2013 Maturity	£m	Fixed rate payable %	2012 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
25.0	5.63	2022	50.0	5.63	2022
137.0			192.0		

On 14 May 2013, as part of the Group's comprehensive refinancing package, the Group agreed to cancel £55m nominal value of interest rate swaps. These interest rate swaps were cancelled and settled in June 2013 with an exceptional charge of £18.5m included within finance costs. Further details are included in note 3.

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 2013, which is based on third party valuations, was a liability of £27.1m (2012: £52.5m) with a gain of £6.9m (2012: loss of £16.6m) 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 26.

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 2013, the Group and Company had outstanding fixed rate US Dollar loan notes of \$246.6m (2012: \$267.2m).

25. Derivative financial instruments – swaps (continued)

b) Foreign exchange swaps (continued)

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

\$m	Fixed rate payable %	2013 Maturity*	\$m	Fixed rate payable %	2012 Maturity
–	–	–	18.2	8.98	2013
–	–	–	1.0	10.95	2013
–	–	–	1.4	10.78	2013
103.7	6.61	2013	103.7	6.61	2017
7.5	10.55	2013	7.5	10.55	2017
12.8	9.75	2013	12.8	9.75	2017
80.0	8.14	2017	80.0	8.14	2017
33.7	9.24	2013	33.7	9.24	2018
3.6	12.23	2013	3.6	12.23	2018
5.3	11.37	2013	5.3	11.37	2018
246.6			267.2		

* On 14 May 2013, the Group completed a comprehensive refinancing package and as part of this, irrevocably committed to prepay US\$166.6m of private placement notes and cancel the associated foreign exchange swaps, with effect from no later than 2 July 2013. Accordingly, on 2 July 2013, foreign exchange swaps of US\$166.6m were cancelled.

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 83% of the interest payments. The fair value of the swap arrangements as at 30 June 2013, which is based on third party valuations, was an asset of £29.3m (2012: £28.6m) with a gain of £0.7m (2012: £4.6m) credited directly to equity in the year.

There was no ineffectiveness to be taken through the income statement during the year or the prior year. Further disclosures relating to financial instruments are set out in note 26.

26. Financial risk management

The Group's approach to risk management and the principal operational risks of the business are detailed on pages 34 to 39. The Group's financial assets, financial liabilities and derivative financial instruments are detailed in notes 23, 24 and 25.

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

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

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April and May and October and November of each year, due to seasonal trends in income. Accordingly, the Group maintains sufficient facility headroom to cover these requirements. On a normal operating basis, the Group has a policy of maintaining headroom of up to £150.0m. The Group identifies and takes appropriate actions based upon its regular, detailed system for the reporting and forecasting of cash flows from its operations. At 30 June 2013, the Group had committed bank and other facilities of £1,030.5m (2012: £1,091.0m) and total facilities of £1,076.7m (2012: £1,137.2m). The Group's drawn debt against these facilities was £342.7m (2012: £342.0m). This represented 33.3% (2012: 31.3%) of available committed facilities at 30 June 2013. In addition, the Group had £294.4m (2012: £150.3m) of cash and cash equivalents.

26. Financial risk management (continued)

a) Liquidity risk (continued)

The Group was in compliance with its financial covenants at 30 June 2013. 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 2013, the average maturity of the Group's facilities was 3.9 years (2012: 3.7 years).

The Group maintains certain committed floating rate facilities with banks to ensure sufficient liquidity for its operations. The undrawn committed facilities available to the Group, in respect of which all conditions precedent had been met, were as follows:

Expiry date	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
In less than one year	–	–	–	–
In more than one year but not more than two years	150.0	90.0	150.0	90.0
In more than two years but not more than five years	550.0	670.0	550.0	670.0
In more than five years	–	–	–	–
	700.0	760.0	700.0	760.0

In addition, the Group had £42.1m (2012: £46.2m) of undrawn uncommitted facilities available at 30 June 2013.

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
2013							
Loans and borrowings (including bank overdrafts)	24a	348.4	542.5	243.4	35.2	153.9	110.0
Trade and other payables	24a	1,235.1	1,281.9	865.1	276.6	120.3	19.9
		1,583.5	1,824.4	1,108.5	311.8	274.2	129.9
2012							
Loans and borrowings (including bank overdrafts)	24a	343.3	558.5	62.7	49.7	116.1	330.0
Trade and other payables	24a	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

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
2013							
Loans and borrowings (including bank overdrafts)	24a	363.3	553.3	287.3	29.6	126.4	110.0
Trade and other payables	24a	71.0	71.0	71.0	–	–	–
Intercompany payables	24a	136.1	136.1	136.1	–	–	–
		570.4	760.4	494.4	29.6	126.4	110.0
2012							
Loans and borrowings (including bank overdrafts)	24a	344.4	559.6	63.8	49.7	116.1	330.0
Trade and other payables	24a	28.8	28.8	28.8	–	–	–
		373.2	588.4	92.6	49.7	116.1	330.0

26. Financial risk management (continued)

a) Liquidity risk (continued)

The disclosure of contractual cash flows in the note above is calculated on the basis that the Group's £700m revolving credit facility is fully drawn down. At 30 June 2013 none of this facility was drawn.

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
2013							
Financial assets							
Gross settled derivatives							
Receive leg	23	29.7	307.8	239.9	4.0	63.9	–
Pay leg		–	(253.8)	(189.7)	(4.0)	(60.1)	–
Financial liabilities							
Gross settled derivatives							
Receive leg	24a	(0.4)	17.6	17.6	–	–	–
Pay leg		–	(18.0)	(18.0)	–	–	–
Net settled derivatives	24a	(27.1)	(27.1)	(7.1)	(6.6)	(11.5)	(1.9)
		2.2	26.5	42.7	(6.6)	(7.7)	(1.9)
2012							
Financial assets							
Gross settled derivatives							
Receive leg	23	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	24a	(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	24a	(52.5)	(55.4)	(9.0)	(9.6)	(25.9)	(10.9)
		(23.9)	(25.3)	(5.6)	(8.8)	(4.9)	(6.0)

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

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.

26. Financial risk management (continued)

b) Market risk (price risk) (continued)

i) UK housing market risk (continued)

The Group's financial assets and liabilities, which are directly linked to the UK housing market, are as follows:

Group	Linked to UK housing market £m	Not linked to UK housing market £m	Total £m
2013			
Non-derivative financial assets	128.4	347.8	476.2
Non-derivative financial liabilities	–	(1,583.5)	(1,583.5)
Derivatives	–	2.2	2.2
	128.4	(1,233.5)	(1,105.1)
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)

The value of the Group's available for sale financial assets is directly linked to the UK housing market. At 30 June 2013, these assets were carried at a fair value of £128.4m (2012: £189.2m). Further information is set out in note 16.

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

Sensitivity analysis

At 30 June 2013, if UK house prices had been 5% lower and all other variables were held constant, the Group's house price linked financial assets and liabilities, which are solely available for sale financial assets, would decrease in value, excluding the effects of tax, by £8.4m (2012: £9.7m) with a corresponding reduction in both the result for the year and equity.

ii) Interest rate risk

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

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

The Group has a conservative treasury risk management strategy. The proportion of the Group's median gross borrowings calculated on the latest three-year plan that should be at fixed rates of interest is determined by the average expected interest cover for that period. The current target is for 30-60% to be at fixed rates of interest. Due to the cyclical nature of our borrowings throughout the year, as at 30 June 2013 65.3% (2012: 61.7%) of the Group's gross borrowings were fixed. Group interest rates are fixed using both swaps and fixed rate debt instruments.

26. Financial risk management (continued)

b) Market risk (price risk) (continued)

ii) Interest rate risk (continued)

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
2013				
Financial liabilities (excluding derivatives)	117.4	231.0	1,235.1	1,583.5
Impact of interest rate swaps	(137.0)	137.0	–	–
Financial liability exposure to interest rate risk	(19.6)	368.0	1,235.1	1,583.5
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

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
2013				
Financial liabilities (excluding derivatives)	272.0	227.4	71.0	570.4
Impact of interest rate swaps	(137.0)	137.0	–	–
Financial liability exposure to interest rate risk	135.0	364.4	71.0	570.4
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

Floating interest rates on Sterling borrowings are linked to the 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 2013 was 3.6% (2012: 3.5%).

Sterling private placement notes of £65.8m (2012: £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 2013 was 12.0% (2012: 12.0%) with, at 30 June 2013, a weighted average period of zero years (2012: 6.9 years) for which the rate is fixed.

US Dollar denominated private placement notes of £133.5m (2012: £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 2013 was 10.2% (2012: 10.2%) with, at 30 June 2013, a weighted average period of 1.5 years (2012: 4.9 years) for which the rate is fixed.

On 14 May 2013, the Group completed a comprehensive refinancing package and irrevocably committed to prepay the £65.8m Sterling private placement notes and US\$166.6m private placement notes and cancel the associated foreign exchange swaps, with effect from no later than 2 July 2013. Accordingly, on 2 July 2013 the Sterling private placement notes of £65.8m and US\$166.6m private placement notes were prepaid and foreign exchange swaps of US\$166.6m were cancelled.

Sensitivity analysis

In the year ended 30 June 2013, 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 £0.6m (2012: £1.6m), the Group's post-tax profit would decrease/increase by £0.5m (2012: £1.2m) and the Group's equity would decrease/increase by £0.5m (2012: £1.2m).

26. Financial risk management (continued)

b) Market risk (price risk) (continued)

iii) Foreign exchange rate risk

As at 30 June 2013, the Group has fixed rate US Dollar denominated private placement notes of \$246.6m (2012: \$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 83% of the interest payments and therefore the Group is subject to foreign exchange rate risk upon the remaining 17%.

On 14 May 2013, the Group completed a comprehensive refinancing package and irrevocably committed to prepay US\$166.6m of private placement notes and cancel the associated foreign exchange swaps, with effect from no later than 2 July 2013. Accordingly, on 2 July 2013 foreign exchange swaps of US\$166.6m were cancelled.

Details of the Group's foreign exchange swaps are provided in note 25.

Sensitivity analysis

In the year ended 30 June 2013, 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 £0.4m (2012: £0.3m), the Group's post-tax profit would decrease/increase by £0.3m (2012: £0.2m) and the Group's equity would decrease/increase by £0.3m (2012: £0.2m).

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 Providers for social housing. The Group has £128.4m (2012: £189.2m) of available for sale financial assets, which expose it to credit risk, although this asset is spread over a large number of properties. In addition, the Group and Company have an investment of £25.8m in a joint venture which holds available for sale financial assets, which exposes the joint venture to credit risk, although this is spread over a large number of properties. As such, neither the Group nor the Company have a significant concentration of credit risk, as their exposure is 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 2013 was £76.9m (2012: £42.5m) 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 2013, the Company was exposed to £969.6m (2012: £556.4m) of credit risk in relation to intercompany loans, as well as financial guarantees, performance bonds and the bank borrowings of subsidiary undertakings. The Company was also exposed to credit risk through its joint venture as explained above. Further details are provided in notes 34 and 35.

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 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 24.

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 34 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.

27. Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

Defined contribution schemes

	2013 £m	2012 £m
Contributions during the year		
Group defined contribution schemes consolidated income statement charge	7.0	6.7

At the balance sheet date, there were outstanding contributions of £0.7m (2012: £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 2013 by a qualified independent actuary. The Group has agreed with the Trustees of the Scheme 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 (2012: £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	2013	2012
Weighted average assumptions to determine benefit obligations		
Discount rate	4.70%	4.80%
Rate of price inflation	3.40%	2.90%
Weighted average assumptions to determine net cost		
Discount rate	4.80%	5.50%
Expected long-term rate of return on plan assets	4.91%	6.10%
Rate of price inflation	2.90%	3.50%

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 1948 (life expectancy at age 65)	24.2 years	26.6 years
Non-retired member born in 1968 (life expectancy at age 65)	25.9 years	28.7 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. 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% (2012: 1.25%).

27. 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%	£6.6m (2.1%)
Rate of inflation	Increase by 0.1%	£3.8m (1.2%)
Life expectancy	Increase by 1 year	£8.1m (2.6%)

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

	2013 £m	2012 £m
Interest cost	13.3	13.6
Expected return on Scheme assets	(12.8)	(14.8)
Total pension cost/(income) recognised in net finance costs in the consolidated income statement	0.5	(1.2)
Total pension cost/(income) recognised in the consolidated income statement	0.5	(1.2)

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

	2013 £m	2012 £m
Expected return less actual return on Scheme assets	(18.6)	(0.7)
Loss arising from changes in the assumptions underlying the present value of benefit obligations	23.4	24.8
Total pension cost recognised in the Group statement of comprehensive income	4.8	24.1

The amount included in the Group and Company balance sheets arising from obligations in respect of the Scheme is as follows:

	2013 £m	2012 £m
Present value of funded obligations	308.3	280.5
Fair value of Scheme assets	(294.9)	(259.1)
Deficit for funded Scheme/net liability recognised in the Group and Company balance sheets at 30 June	13.4	21.4

	2013 £m	2012 £m
Net liability for defined benefit obligations at 1 July	21.4	11.8
Contributions paid to the Scheme	(13.3)	(13.3)
Expense/(income) recognised in the consolidated income statement	0.5	(1.2)
Amounts recognised in the Group statement of comprehensive income	4.8	24.1
Net liability for defined benefit obligations at 30 June	13.4	21.4

A deferred tax asset of £3.1m (2012: £5.2m) has been recognised in the Group balance sheet in relation to the pension liability (note 17).

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

	2013 £m	2012 £m
Present value of benefit obligations at 1 July	280.5	250.6
Interest cost	13.3	13.6
Actuarial loss	23.4	24.8
Benefits paid from Scheme	(8.9)	(8.5)
Present value of benefit obligations at 30 June	308.3	280.5

27. Retirement benefit obligations (continued)

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

	2013 £m	2012 £m
Fair value of Scheme assets at 1 July	259.1	238.8
Expected return on Scheme assets	12.8	14.8
Actuarial gain on Scheme assets	18.6	0.7
Employer contributions	13.3	13.3
Benefits paid from Scheme	(8.9)	(8.5)
Fair value of Scheme assets at 30 June	294.9	259.1

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

	Percentage of Scheme assets	2013 Expected return on Scheme assets	Percentage of Scheme assets	2012 Expected return on Scheme assets
Equity securities	47.2%	n/a	49.2%	6.20%
Debt securities	52.5%	n/a	50.2%	3.70%
Other	0.3%	n/a	0.6%	0.50%
Total	100.0%	n/a	100.0%	4.91%

As the Group will be adopting IAS 19 (Revised) Employee benefits on 1 July 2013, the expected return on Scheme assets is not relevant at 30 June 2013.

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:

	2013 £m	2012 £m
Actual return on Scheme assets	31.4	15.5

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

	2013	2012	2011	2010	2009
Present value of defined benefit obligations (£m)	(308.3)	(280.5)	(250.6)	(248.3)	(201.9)
Fair value of Scheme assets (£m)	294.9	259.1	238.8	202.2	170.4
Deficit in the Scheme (£m)	(13.4)	(21.4)	(11.8)	(46.1)	(31.5)
Experience adjustment in Scheme liabilities (£m)	—	—	6.8	—	—
Percentage of Scheme liabilities (%)	—	—	2.7	—	—
Experience adjustment in Scheme assets (£m)	18.6	0.7	18.5	17.6	(20.5)
Percentage of Scheme assets (%)	6.3	0.3	7.7	8.7	(12.0)
Amount recognised in the Group statement of comprehensive income (£m)	4.8	24.1	(22.0)	26.3	14.1
Percentage of Scheme assets (%)	1.6	9.3	(9.2)	13.0	8.3

The cumulative amount of actuarial gains and losses since 30 June 2005 recognised in the Group statement of comprehensive income is a loss of £13.8m.

The expected employer contribution to the Scheme in the year ending 30 June 2014 is £13.3m.

28. Share capital

	2013 £m	2012 £m
Allotted and issued ordinary shares		
10p each fully paid: 979,715,092 ordinary shares (2012: 975,790,605)	98.0	97.6

During the year, 4,620,159 (2012: 8,313,562) awards over the Company's shares were granted under the Company's Executive Long-Term Performance Plan, 2,679,912 (2012: 6,896,472) options were granted under the Savings-Related Share Option Scheme ('SRSOS'), 1,338,259 (2012: 132,491) awards over the Company's shares were granted under the Company's Co-Investment Plan and awards of 585,264 (2012: nil) were granted over the Company's shares under the Senior Management Incentive Scheme.

Allotment of shares during the period

During the year, a total of 2,175,239 (2012: 10,449,479) shares were issued to satisfy exercises under the 2009 and 2010 SRSOS schemes.

During the year, 27,147 shares (2012: nil) were issued to satisfy early exercises under the 2010, 2011 and 2012 grants of the SRSOS schemes.

Employee Benefit Trust

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 3,988,259 (2012: 3,849,556) ordinary shares in the Company. A further 1,722,101 shares were allotted to the EBT by Barratt Developments PLC on 3 December 2012 at a price of 10 pence per share. During the year, the EBT disposed of 1,583,398 shares in settlement of exercises under the Senior Management Share Option Plan 2009/10 and Executive Share Option Scheme 2009/10. The market value of the shares held by the EBT at 30 June 2013 at 309.6 pence per share (2012: 139.1 pence per share) was £12,347,650 (2012: £5,354,732). 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.

29. Share-based payments

Analysis of income statement charge/(credit):

	2013 £m	2012 £m
Equity-settled share-based payments:		
Long-Term Performance Plan	2.9	2.1
Savings-Related Share Option Scheme	0.8	0.5
Executive Share Option Scheme	(0.2)	0.4
Senior Management Share Option Plan	–	0.3
Senior Management Incentive Scheme	0.3	–
Co-investment Plan	0.6	–
Cash-settled share-based payments	–	(0.2)
	4.4	3.1

As at 30 June 2013, an accrual of £4.9m (2012: £0.7m) was recognised in respect of social security liabilities on share-based payments.

a) Details of the share-based payment schemes

i) Long-Term Performance Plan

The Long-Term Performance Plan (the 'LTPP') was initially approved by shareholders at the Annual General Meeting held in November 2003 to take effect from 1 July 2003. As the ten year limit on powers to grant any awards under the LTPP was due to expire on 12 November 2013, a resolution seeking: (i) the approval of shareholders to extend the LTPP for a further ten years to 12 November 2023; and; (ii) the adoption of the updated rules of the LTPP, was proposed to, and passed by, shareholders at the 2012 Annual General Meeting. During the financial year ended 30 June 2013, 4,620,159 (2012: 8,313,562) awards were granted under the LTPP. 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 awards to be granted during the 2013/14 financial year and each of the outstanding LTPP awards, can be found on pages 68 to 73.

29. Share-based payments (continued)

a) Details of the share-based payment schemes (continued)

ii) Savings-Related Share Option Scheme

In November 2008, the Company adopted the Savings-Related Share Option Scheme ('SRSOS'). Under the SRSOS, participants are required to make monthly contributions to a HM Revenue and Customs ('HMRC') approved savings contract with a bank or building society for a period of three or five years. On entering into the savings contract, participants are 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 (in accordance with a formula approved by the HMRC) to reflect the Company's Placing and Rights Issue on 4 November 2009 (the 'Rights Issue') to 57.08 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 104.56 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. The fifth grant under the SRSOS was made on 27 March 2013 at an exercise price of 204.60 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. The performance conditions for the ESOS granted in December 2009 (the '2009/10 ESOS'), were tested after the financial year ended 30 June 2012 and accordingly, 32.8% of the 2009/10 ESOS vested on 10 December 2012. Participants have until 9 December 2019 to exercise their options.

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. Individuals who participate in the SMSOP are not eligible to participate in the LTPP or ESOS, therefore Executive Directors do not participate in the SMSOP. There is currently no intention to make any further grants under the SMSOP. The options granted under the SMSOP in December 2009 (the '2009/10 SMSOP'), were subject to a 'continued employment' performance condition. The 2009/10 SMSOP vested on 10 December 2012 and participants have until 9 December 2019 to exercise their options.

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. The ten year limit to grant options under the ESOP expired in November 2007. There will, therefore, be no further grants under the ESOP. The outstanding unexercised options granted under the ESOP in October 2003 must be exercised by 9 October 2013, otherwise they will lapse.

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%. Those who have participated in the ESOP do not participate in the Employee Plan. The authority to grant options under the ESOP expired on 10 April 2010 (ten years from the date of the first grant under the Employee Plan), no further options will therefore be granted under the Employee Plan. The outstanding unexercised options granted under the Employee Plan on 14 May 2004 must be exercised by 13 May 2014, otherwise they will lapse.

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. There are no outstanding awards under the SMIP and there is currently no intention to make any awards under the SMIP in the foreseeable future.

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.

29. Share-based payments (continued)

a) Details of the share-based payment schemes (continued)

viii) Co-Investment Plan (continued)

The Executive Directors also had 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 62.

ix) Senior Management Incentive Scheme

In October 2012, the Board adopted the Barratt Developments Senior Management Incentive Scheme (the 'SMIS'). Awards under the SMIS are at the discretion of the Board and must be held for a minimum of three years from the date of grant. Executive Directors and those individuals directly below this level are not eligible to participate in the SMIS. Any award granted under the SMIS is subject to the earnings per share performance condition as set for the LTPP granted in the same financial year. Further details are on page 72.

b) Outstanding equity-settled share-based payments

At 30 June 2013, the following options were outstanding:

Date of grant	Option price pence	2013 Number	Not exercisable after
Executive Share Option Plan			
10 October 2003	357	556,468	9 October 2013
Total Executive Share Option Plan options		556,468	
Executive Share Option Scheme			
10 December 2009 (approved*)	118	8,350	9 December 2019
10 December 2009 (unapproved*)	121	1,584,054	9 December 2019
Total Executive Share Option Scheme options		1,592,404	
Senior Management Share Option Plan			
10 December 2009 (approved*)	118	1,296,395	9 December 2019
10 December 2009 (unapproved*)	121	553,649	9 December 2019
Total Senior Management Share Option Plan options		1,850,044	
Employee Share Option Plan			
14 May 2004	387	399,894	13 May 2014
Total Employee Share Option Plan options		399,894	
Savings-Related Share Option Scheme			
30 March 2010	116	339,736	30 November 2013
29 March 2011	105	1,117,681	30 November 2014
28 March 2012 – 3 year plan	125	4,811,612	30 November 2015
28 March 2012 – 5 year plan	125	1,604,544	30 November 2017
27 March 2013 – 3 year plan	205	2,294,481	30 November 2016
27 March 2013 – 5 year plan	205	371,360	30 November 2018
Total Savings-Related Share Option Scheme options		10,539,414	
Total share options		14,938,224	
Long-Term Performance Plan			
14 October 2010	–	5,441,830	–
20 October 2011	–	7,025,674	–
24 October 2012	–	4,620,159	–
Total Long-Term Performance Plan awards		17,087,663	
Co-Investment Plan			
18 October 2011	–	123,474	–
12 October 2012	–	1,312,181	–
Total Co-Investment Plan awards		1,435,655	
Senior Management Incentive Scheme			
24 October 2012	–	525,879	–
Total Senior Management Incentive Scheme awards		525,879	
Total		33,987,421	

* 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.

29. Share-based payments (continued)

c) 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	2013 Number of options	Weighted average exercise price in pence	2012 Number of options
Outstanding at 1 July	344	679,983	333	1,186,487
Forfeited during the year	287	(123,515)	320	(506,504)
Outstanding at 30 June	357	556,468	344	679,983
Exercisable at 30 June	357	556,468	344	679,983

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	2013 Number of options	Weighted average exercise price in pence	2012 Number of options
Outstanding at 1 July	387	417,801	380	497,065
Forfeited during the year	387	(17,907)	341	(79,264)
Outstanding at 30 June	387	399,894	387	417,801
Exercisable at 30 June	387	399,894	387	417,801

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	2013 Number of award units	Weighted average exercise price in pence	2012 Number of award units
Outstanding at 1 July	–	14,830,392	–	6,516,830
Forfeited during the year	–	(2,362,888)	–	–
Granted during the year	–	4,620,159	–	8,313,562
Outstanding at 30 June	–	17,087,663	–	14,830,392
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	2013 Number of options	Weighted average exercise price in pence	2012 Number of options
Outstanding at 1 July	121	6,023,042	69	15,699,125
Forfeited during the year	121	(4,300,941)	37	(9,676,083)
Exercised during the year	121	(129,697)	–	–
Outstanding at 30 June	121	1,592,404	121	6,023,042
Exercisable at 30 June	121	1,592,404	–	–

29. Share-based payments (continued)

c) 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	2013 Number of options	Weighted average exercise price in pence	2012 Number of options
Outstanding at 1 July	119	3,630,197	119	3,834,687
Forfeited during the year	118	(20,417)	119	(204,490)
Exercised during the year	119	(1,759,736)	–	–
Outstanding at 30 June	119	1,850,044	119	3,630,197
Exercisable at 30 June	119	1,850,044	–	–

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	2013 Number of options	Weighted average exercise price in pence	2012 Number of options
Outstanding at 1 July	114	10,632,321	68	15,303,105
Forfeited during the year	118	(570,433)	84	(1,117,777)
Granted during the year	205	2,679,912	125	6,896,472
Exercised during the year	84	(2,202,386)	57	(10,449,479)
Outstanding at 30 June	143	10,539,414	114	10,632,321
Exercisable at 30 June	116	339,736	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	2013 Number of award units	Weighted average exercise price in pence	2012 Number of award units
Outstanding at 1 July	–	–	57	7,850,718
Forfeited during the year	–	–	57	(7,850,718)
Outstanding at 30 June	–	–	–	–
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	2013 Number of award units	Weighted average exercise price in pence	2012 Number of award units
Outstanding at 1 July	–	123,474	–	–
Forfeited during the year	–	(26,078)	–	–
Exercised during the year	–	–	–	(9,017)
Granted during the year	–	1,338,259	–	132,491
Outstanding at 30 June	–	1,435,655	–	123,474
Exercisable at 30 June	–	–	–	–

29. Share-based payments (continued)

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

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

	Weighted average exercise price in pence	2013 Number of award units	Weighted average exercise price in pence	2012 Number of award units
Outstanding at 1 July	—	—	—	—
Forfeited during the year	—	(59,385)	—	—
Granted during the year	—	585,264	—	—
Outstanding at 30 June	—	525,879	—	—
Exercisable at 30 June	—	—	—	—

The weighted average share price, at the date of exercise, of share options exercised during the year was 228.7p (2012: 135.1p). The weighted average life for all schemes outstanding at the end of the year was 2.3 years (2012: 3.5 years).

d) 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 IFRS 2 'Share-based Payments'.

i) Savings-Related Share Option Scheme

The weighted average fair value of the options granted during 2013 was 111.8p (2012: 37.7p) 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 2013	Grants 2012
Average share price	274p	145p
Average exercise price	205p	125p
Expected volatility	46.6%	32.2%
Expected life	3.7 years	3.5 years
Risk free interest rate	0.44%	0.77%
Expected dividends	1.50%	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 2013 was 160.6p (2012: 50.0p).

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 2013	Grants 2012
Average share price	186p	86p
Average exercise price	—	—
Expected volatility	45.0%	32.2%
Expected life	3.0 years	3.8 years
Risk free interest rate	0.46%	2.17%
Expected dividends	0.75%	1.91%

29. Share-based payments (continued)

d) Income statement charge (continued)

iii) Co-Investment Plan

The weighted average fair value of the options granted during 2013 was 169.2p (2012: 21.0p) per award. The awards have been valued by discounting the grant date share price for the dividend yield.

The weighted average inputs used to discount the share price were as follows:

	Grants 2013	Grants 2012
Share price at valuation date	177p	86p
Average exercise price	—	—
Expected life	3.0 years	3.0 years
Expected dividends	1.50%	0.74%

iv) Senior Management Incentive Scheme

The weighted average fair value of the options granted during 2013 was 177.8p (2012: nil) 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 2013	Grants 2012
Average share price	186p	—
Average exercise price	—	—
Expected volatility	45.0%	—
Expected life	3.0 years	—
Risk free interest rate	0.46%	—
Expected dividends	1.50%	—

30. 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 £1.9m (2012: £21.1m). This loss comprises losses of £2.6m (2012: £25.7m) relating to interest rate swaps and gains of £0.7m (2012: £4.6m) on foreign exchange swaps.

Transfers from the hedging reserve to the income statement for the period are gains of £6.7m (2012: £5.1m).

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, £9.5m (2012: £9.1m) related to hedged interest cash flows and a loss of £2.8m (2012: £4.0m) related to hedged foreign currency cash flows.

Merger reserve

The merger reserve comprises the non-statutory premium arising on shares issued as consideration for the 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 profit for the year was £950.7m (2012: loss of £36.5m).

31. Cash flows from operating activities

	Notes	2013 £m	Group 2012 £m	2013 £m	Company 2012 £m
Profit/(loss) for the year from continuing operations		75.0	67.4	950.7	(36.5)
Tax		29.8	32.6	(22.7)	(7.7)
Finance income		(12.8)	(16.9)	(35.3)	(38.5)
Finance costs – non-exceptional		80.8	97.7	54.7	73.1
Finance costs – exceptional		79.3	–	79.3	–
Dividends received from subsidiaries		–	–	(1,024.5)	–
Share of post-tax profit from joint ventures		(2.3)	(0.5)	–	–
Share of post-tax loss from associates		0.1	0.1	–	–
Loss on re-measurement of joint venture interest on acquisition of control		–	10.7	–	–
Profit/(loss) from operations		249.9	191.1	2.2	(9.6)
Depreciation	13	1.6	1.6	0.7	0.5
Profit on disposal of property, plant and equipment		(0.6)	–	–	–
Impairment of inventories	18	12.8	6.6	–	–
Impairment of available for sale financial assets	16	6.1	11.8	–	–
Impairment of investment in subsidiaries	15	–	–	2.9	–
Share-based payments charge	29	4.4	3.1	1.3	2.7
Imputed interest on deferred term land payables	5	(26.5)	(28.8)	–	–
Imputed interest on available for sale financial assets	5, 16	10.2	12.0	–	–
Amortisation of facility fees	5	(4.6)	(3.5)	(4.6)	(3.5)
Imputed interest on Kickstart equity funding	5	0.9	0.2	–	–
Write-off of previous facility unamortised fees	5	(7.8)	–	(7.8)	–
Finance (costs)/income related to employee benefits	5, 27	(0.5)	1.2	(0.5)	1.2
Total non-cash items		(4.0)	4.2	(8.0)	0.9
Decrease in inventories		4.0	71.7	–	–
(Increase)/decrease in trade and other receivables		(23.3)	14.0	(393.4)	241.5
(Decrease)/increase in trade and other payables		(32.4)	(39.9)	119.9	(21.5)
Decrease/(increase) in available for sale financial assets		22.7	(35.0)	–	–
Total movements in working capital		(29.0)	10.8	(273.5)	220.0
Interest paid		(52.0)	(60.3)	(51.8)	(68.7)
Tax received		0.9	3.9	0.9	–
Net cash inflow/(outflow) from operating activities		165.8	149.7	(330.2)	142.6

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.

32. Operating lease obligations

a) The Group as lessee

At 30 June 2013, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings £m	2013 Other £m	Land and buildings £m	Group 2012 Other £m
Within one year	13.6	6.8	11.0	5.0
More than one year and no later than five years	24.4	7.1	20.1	4.1
In five years or more	27.7	–	5.4	–
	65.7	13.9	36.5	9.1

Operating lease payments represent rentals payable by the Group for certain office properties and motor vehicles. Motor vehicle leases have an average term of 1.8 years (2012: 1.7 years) to expiry. Property leases have an average term of 1.4 years (2012: 1.9 years) to expiry.

At 30 June 2013, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings £m	2013 Other £m	Land and buildings £m	Company 2012 Other £m
Within one year	0.7	0.6	0.6	0.4
More than one year and no later than five years	2.1	0.8	2.0	0.3
In five years or more	–	–	0.1	–
	2.8	1.4	2.7	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 1.8 years (2012: 1.5 years) to expiry. Property leases have an average term of 4.2 years (2012: 5.1 years) to expiry.

b) The Group as lessor

Property rental income earned during the year was £2.6m (2012: £3.4m).

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 2013, these properties had a carrying value of £13.5m (2012: £14.4m), and land with rental units had a carrying value of £3.2m (2012: £5.6m). At 30 June 2013, these rental agreements had an average term of 1.8 years (2012: 2.6 years) to expiry and total rental receivables over the remaining lease period are £7.5m (2012: £6.9m) with £1.8m (2012: £2.2m) within one year, £4.0m (2012: £3.9m) in more than one year and no later than five years, and £1.7m (2012: £0.8m) in five years or more.

33. Acquisitions

In the year ended 30 June 2012 the Group made the following acquisition:

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 its 50% share for £1. Following this transaction, the Group wholly owns these entities. In accordance with IFRS 3 (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 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.

In accordance with IFRS 3 'Business Combinations', the Directors have reviewed the operations, assets and liabilities of Base Regeneration and its subsidiaries during the year to assess whether there is any requirement to adjust the fair values applied on acquisition. This review resulted in no requirement to change the acquisition fair values of Base Regeneration and its subsidiaries.

34. 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 £447.5m (2012: £424.8m), 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 2013, the Group has an obligation to repay £0.9m (2012: £0.9m) of grant monies received by a joint venture upon certain future disposals of land.

During the year, the Group provided bank guarantees to the value of £2.6m (2012: £nil) to one of its joint ventures.

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 £nil (2012: £2.8m) 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 material legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made (other than for legal costs) where the Directors consider, based on such advice, that claims or actions are unlikely to succeed, or a sufficiently reliable estimate of the potential obligations cannot be made.

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. American was sold in August 2004 and subsequently became insolvent, although it has significant insurance and is represented by counsel.

The majority of the events in issue in the construction case post-date the 2004 sale of American 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 this claim, although the outcome remains uncertain and may not be known for some time, as no trial date has yet been set. The Company has been successful in having the claims against it in the separate class action dismissed, although the plaintiffs in that case have appealed against the dismissal of their claims. That appeal will be considered by the California Court of Appeal and the outcome will also not be known for some time.

35. Related party transactions

a) Remuneration of key personnel

Disclosures related to the remuneration of key personnel as defined in IAS 24 'Related Party Disclosures' are given in note 9. 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 2013 totalled £969.6m (2012: £556.4m).

During the year ended 30 June 2013, the Company made management charges to subsidiaries of £44.3m (2012: £33.9m) and received net interest on Group loans from subsidiaries of £32.3m (2012: £25.4m).

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

35. Related party transactions (continued)

c) Transactions between the Group and its joint ventures

The Group has entered into transactions with its joint ventures in respect of development management services (with charges made based on the utilisation of these services) and funding. These transactions totalled £2.5m (2012: £2.1m) and £1.2m (2012: £2.0m). 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 and available for sale financial assets were sold by BDW Trading Limited to one of the Group's joint ventures at a valuation of £59.2m.

The amount of outstanding loans and interest due to the Group from its joint ventures at 30 June 2013 is disclosed in note 14. The amount of other outstanding payables to the Group from its joint ventures at 30 June 2013 totalled £nil (2012: £nil). The Group has provided bank guarantees to the value of £2.6m (2012: £nil) in relation to one of its joint ventures during the year.

The amount of outstanding loans due to the Company from its joint ventures at 30 June 2013 is disclosed in note 14. The Company has provided no guarantees to its joint venture.

d) Transactions between the Group and its associates

The amount of outstanding loans due to the Group from its associates at 30 June 2013 was £nil (2012: £0.3m). The amounts outstanding are unsecured and will be settled in cash. The Group has provided bank guarantees to the value of £nil (2012: £2.8m) 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 2013.

e) Property purchase by a Director of Barratt Developments PLC

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 the Group.

During the year, the Company entered into the following 'related party transaction' as defined under IAS 24:

- In April 2013, the son of Mark Clare, Group Chief Executive of the Company, reserved and exchanged on an apartment from Alie Street LLP, a joint venture entity between BDW Trading Limited (the Company's main trading subsidiary) and London and Quadrant Housing Trust, at a purchase price of £744,246. As at 30 June 2013, £669,821 remains outstanding on this transaction, which will become due on legal completion.

This purchase was conducted at a fair and reasonable market price based on similar comparable transactions at that time.

There have been no 'smaller related party transactions' as defined in Listing Rule 11.1.10R for the year ending 30 June 2013.

f) Property purchases by Directors of BDW Trading Limited

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 the Group.

There have been no 'smaller related party transactions' as defined in Listing Rule 11.1.10R for the year ending 30 June 2013.

During the prior 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 North Scotland Limited (formerly BDW East Scotland Limited) ('North Scotland'), purchased an apartment from North 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 or 30 June 2013 in relation to these transactions.

36. Post balance sheet events

The Group prepaid £151.9m of private placement notes, together with the associated foreign exchange swaps, on 2 July 2013 as it was committed to as part of the comprehensive refinancing package agreed on 14 May 2013. Further details of the refinancing are provided in note 3.

On 15 August 2013 the Group entered into a joint venture, Enderby Wharf LLP, with Morgan Stanley Real Estate Investing.

The Group has agreed terms on a £50m two year term loan, which it expects to be available from 1 October 2013.

FIVE YEAR RECORD, FINANCIAL CALENDAR, GROUP ADVISERS AND COMPANY INFORMATION

FIVE YEAR RECORD

	2013	2012	2011	2010	2009
Group revenue (£m)	2,606.2	2,323.4	2,035.4	2,035.2	2,285.2
Profit/(loss) before tax (£m)	104.8	100.0	(11.5)	(162.9)	(678.9)
Share capital and equity (£m)	3,073.2	2,973.8	2,930.1	2,900.2	2,331.6
Per ordinary share:					
Basic earnings/(loss) per share (pence ¹)	7.7	7.0	(1.4)	(14.5)	(89.1)
Dividend (interim paid and final proposed (pence))	2.5	–	–	–	–

1 Earnings per share for the year ended 30 June 2009 was adjusted to reflect the Rights Issue on 22 September 2009 as required by IAS 33 'Earnings per Share'.

FINANCIAL CALENDAR

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

Announcement	
2013 Annual General Meeting and Interim Management Statement	13 November 2013
2013/14 Interim/half year results	February 2014
Interim Management Statement	May 2014
2013/14 Annual Results Announcement	September 2014

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