



BARRATT
DEVELOPMENTS PLC

Annual Report and Accounts 2014

Building on success

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COMPANIES HOUSE

Welcome to Barratt Developments PLC

Our vision is to lead the future of housebuilding by putting customers at the heart of everything we do.

We operate across Britain with 27 divisions delivering a total of 14,838 new homes this year.

Our aim is to deliver sustainable shareholder value.

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Our financial achievements

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 Strategic Report contained on pages 2 to 41 and the Directors' Report contained on pages 42 to 92. Under English Law the Directors would be liable to the Company (but not to any third party) if the Strategic Report and/or the Directors Report contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Strategic Report and Directors Report
Pages 2 to 41 inclusive comprise the Strategic Report and pages 42 to 92 inclusive comprise the Directors Report, both of which have been drawn up and presented in accordance with, and in reliance upon, English company law and liabilities of the Directors in connection with the reports 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.

Links to further information are illustrated with the following markers:

For further information

For further information see
www.barrattdevelopments.co.uk

About us

We are the nation's leading housebuilder operating throughout Britain.

5,755

employees
(2013: 5,003)

Our homes

We are a HBF 5 Star housebuilder and create great places to live. All of our new developments must meet Building for Life 12 standards.

Our customers

We put our customers first. We build great homes and aim to provide customer service that exceeds expectations.

1 Unless otherwise stated, all numbers quoted exclude joint ventures ('JV') and are as at 30 June 2014 throughout this Annual Report and Accounts.

2 Total completions, including joint ventures, were 14,838 (2013: 13,663) for the year. Private completions for the year were 11,936 (2013: 10,978).

Affordable completions for the year were 2,255 (2013: 2,268) and JV completions in which the Group had an interest were 647 (2013: 417).

3 Housebuilding contributes 99.5% (2013: 99.5%) of revenues. We also have a commercial developments business which contributes 0.5% (2013: 0.5%) of revenues.

27

divisions
(2013: 25)

364

average active sites¹
(2013: 381)

14,838

homes legally completed²
(2013: 13,663)

66,570

owned and controlled
land bank plots
(2013: 57,654)

Our geographic spread

We are a major housebuilder committed to operating throughout Britain³.

Our brands

We have three main brands — Barratt Homes, David Wilson Homes and Barratt London. Commercial developments are delivered by Wilson Bowden Developments.

	2014	2013	Increase %
Total completions (including joint ventures)	14,838	13,663	8.6%

What we do

Delivery of sustainable shareholder value is underpinned by our business model.

Deliver financial results

Targeted land buying and effective planning

Industry leading customer experience

Deliver sustainable shareholder value

Outstanding design

Innovative sales and marketing

Construction excellence and efficiency

For detail on our priorities please see pages 12 to 17.

In addition to the discussion around our people, our customers and our principles (health and safety, partners, community and environmental matters) included in this Strategic Report, there is more information included within our 2014 Sustainability Report at www.barrattddevelopments.co.uk.

Targeted land buying and effective planning

- We purchase land in targeted locations which meets our hurdle rates of 20% gross margin and 25% return on capital employed ('ROCE')
- We work with local communities and local authorities to deliver effective planning permissions
- We have the capability to deliver large and complex sites

Land purchases approved in 2014¹

21,478 plots
(2013: 18,536 plots)

Outstanding design

- We design outstanding homes and places for our customers
- All of our new developments must achieve Building for Life 12 Standards and we achieved 17 commendations in FY14
- We have won a number of awards during the year including Evening Standard Large Development of the Year for Trumpington Meadows, Cambridge

Large developer of the year

2014 RESI awards

Construction excellence and efficiency

- We build quality homes in an efficient way, using standard house designs, centralised procurement and we continually share best practice
- We are committed to ensuring high standards of health and safety at all times
- Our site managers won more NHBC Pride in the Job Awards than any other housebuilder for the tenth consecutive year

Health & Safety compliance rate¹

96%
(2013: 97%)

Innovative sales and marketing

- We ensure that our brands have carefully defined market positions, offering the right house types to the right market segments
- We constantly innovate our sales and marketing with 80% of our customer leads now generated through our websites

Average net private reservations per active site per week

0.69
(2013: 0.58)

Industry leading customer experience

- We aim to understand our customers' needs and to provide a first-class experience for them
- We are focused on maintaining the very highest levels of quality, being the only major housebuilder to win HBF 5 Star status for customer satisfaction five years running

HBF 5 Star status¹

Delivering financial results

- Our financial objectives are building profitability and driving ROCE
- We are committed to ensuring the financial health of our business by ensuring that we maintain financial discipline

Profit before tax¹

ROCE¹

£390.6m **19.5%**
(2013: £192.0m before exceptional items) (2013: 11.5%)

See Directors' Remuneration Report on pages 62 to 86 for further information.

¹ KPI used to assess performance for remuneration incentive plans.

A year of outstanding progress

This has been a year of outstanding progress for the Group. In addition to stronger market conditions, we have benefitted from the underlying improvements we have embedded in the business.

As a result, our profitability¹ has more than doubled, we have hit our return on capital target two years early and have improved our margins significantly.

Ordinary dividend

10.3 pence

per share (2013: 2.5 pence)

Capital Return Plan

£950m

over three years ending November 2017
based on consensus earnings

An improving market

The UK housing market has continued to recover with strength now being seen in all regions. Mortgage lending has improved and the Government's Help to Buy scheme has had a positive effect in increasing the construction and sale of new housing.

We were particularly pleased to see that in March, the Help to Buy (Equity Loan) scheme due to finish in 2016 was extended to 2020. This provides the industry with more continuity, an important consideration given the investment timescales involved in buying and developing land.

The varied rates of recovery across different regions of the UK have been challenging for policy makers. In this context, the measures introduced by the Bank of England in June to limit high loan to value lending appear well targeted.

We welcome a policy environment that provides greater stability in the longer term, which enables us to drive sustainable improvements in our returns.

An improved operating performance

During the year we have continued to benefit from the substantial improvements we have made to our operating performance.

Acquiring land suitable for development on the right terms is the fundamental building block of our business. Whilst the land market has become more competitive, in particular in the South East, the quality and disciplined approach of our land teams means that high margin land in attractive locations continues to be secured. The new sites already in production are exceeding our target returns.

There is no doubt that increasing volumes across the industry have put pressures on our supply chain. I am pleased that the long term relationships with our suppliers have ensured that we have been able to work through these issues with little disruption to our business.

At the same time, operating costs remain under control with a continued focus on process improvement, driven by the cost advantages of our centralised procurement systems, standardised build processes and IT systems.

Building quality homes

During the year we have increased our focus on design and the quality of the homes that we build. The Board believes that this customer-first ethos provides a competitive edge in terms of customer preference and pricing, whilst driving out costs resulting from poor build quality.

For the tenth successive year the National House-Building Council ('NHBC') has awarded our site managers more Pride in the Job Awards than any other housebuilder. We are the only

¹ Profit before tax £390.6m (2013: £192.0m before exceptional items)

Welcome to the new Chairman Designate

I am delighted to be joining the Board as Chairman Designate of the country's leading housebuilder. Bob Lawson, who is retiring as Chairman, has led the Company with distinction for the last six years in difficult market conditions; his wise counsel will be greatly missed. He leaves with the business performing well, where profitability and return on capital are rising, and the balance sheet is strong. I look forward to supporting the management team in further developing our strategy and performance.

John Allan CBE

Non-Executive Director and Chairman Designate

major housebuilder to achieve the Home Builders Federation ('HBF') Five Star recommendation from customers for five consecutive years.

We are committed to Building for Life 12, the new Government endorsed design standard.

Our employees

The recent progress of the Group could not have been achieved without the talent and hard work of our employees. On behalf of the Board, I wish to thank our employees for their efforts that underpin the quality, the safety and the success of our operations. We are committed to continuing the investment in the development of our people, which is at the heart of creating a great place to work.

Improving returns and the Capital Return Plan

ROCE is an important performance metric for our business and our initial target of 18% ROCE for FY16 has been achieved two years early. The Board has therefore set a new target of at least 25% for FY17 and, following recent consultation with shareholders, ROCE performance has now been linked to the Executive Long Term Performance Plan.

Looking at the medium term plan for the Group, with a backdrop of controlled volume growth, we expect to substantially increase cash generation. Whilst we will continue our disciplined approach to investing in high quality land opportunities and targeting minimal year end net debt, we believe it is now appropriate to supplement our ordinary dividend payments. The Board is therefore pleased to announce a medium term Capital Return Plan that will combine the ordinary dividend, which will continue to be based on the dividend being three times covered by earnings, together with a special cash payment programme.

Under the special cash payment programme we anticipate proposing a special cash payment with our FY15 results of £100m payable in November 2015, followed by a special cash payment of £125m proposed with our FY16 results payable in November 2016, and a special cash payment of £175m

proposed with our FY17 results payable in November 2017. We will consider the best mechanism to effect the special cash payment programme such as using a B-class share scheme or a special dividend.

We therefore expect to return around £950m of cash through ordinary^B dividend and special cash payments to our shareholders in the next three years, which equates to a total of 96 pence per share based upon 30 June 2014 share capital.

As the first payment in the Capital Return Plan, the Board proposes a final ordinary dividend of 7.1 pence per share payable in November 2014, which combined with the interim dividend of 3.2 pence per share, gives a total dividend for FY14 of 10.3 pence per share. The dividend is covered three times by earnings, achieving our target for FY16 two years ahead of schedule.

Capital Return Plan – Proposed payments	Ordinary dividend £m	Special cash payment £m	Total £m	Total pence per share
November 2014	70 ^A	–	70	7.1 ^A
Year to November 2015	138 ^{B,C}	100	238	24.2 ^C
Year to November 2016	164 ^{B,C}	125	289	29.3 ^C
Year to November 2017	178 ^{B,C}	175	353	35.8 ^C
Total^P	550	400	950	96.4^C

A Proposed final dividend of 7.1p per share as announced on 10 September 2014.

B Based on Reuters consensus estimates of earnings per share of 42.3p for FY15, 50.2p for FY16 and 54.2p for FY17 as at 8 September 2014 and applying a three times dividend cover in line with previously announced policy.

C Based upon 30 June 2014 share capital of 984,983,475 shares.

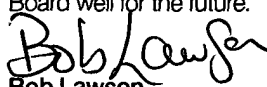
D All final dividends and the special cash payment programme are subject to shareholder approval. The first special cash payment will be subject to shareholder approval at the Annual General Meeting in November 2015 and subsequent special cash payments will be subject to shareholder approval.

The Board

The Board has set out a clear strategy for the future development of the Group and this is being successfully implemented by the Executive team. After six years as Chairman I will step down from the Board at the Company's AGM.

I am grateful for the contribution of my Board colleagues in developing the Group's strategy through market conditions that were challenging and are now improving. They have consistently supplied the right degree of support and challenge.

For the next stage of the Group's development, the Board has recruited an outstanding new Chairman, John Allan CBE. He joined the Board on 1 August 2014 and I wish him and the Board well for the future.


Bob Lawson
Chairman

9 September 2014

Strong performance in a recovering market

We have traded very well throughout the year on the back of stronger market conditions in all parts of the country, our substantial land investments over the last five years and continuing improvements in our underlying performance.

We have achieved considerable progress in building profitability and driving ROCE¹. Profitability has more than doubled to £390.6m (2013: £192.0m before exceptional items) and we achieved a ROCE of 19.5%, exceeding our target of 18% two years ahead of schedule. A continued focus on both profitability and ROCE will maximise sustainable shareholder value.

The stronger market conditions have resulted in a significant increase in activity levels and we have been particularly focused on maintaining discipline and control through every aspect of the business. We have strengthened our Balance Sheet, ending the year with a net cash balance of £73.1m (2013: £25.9m net debt) – the first time we have been in a year end net cash position for eight years.

During the year we have also continued to identify and implement operational improvements that will further enhance our future performance.

Our performance Building profitability

The very substantial increase in profitability has been driven by our land investment strategy, the efficiency of our business model and the prices we have achieved for the outstanding homes we have built.

Land investment

Since re-entering the land market in 2009, we have approved the purchase of £3.8bn of land. All land approvals must meet our minimum hurdle rates of a 20% gross margin and 25% ROCE² without assuming price inflation. During the year, returns on newly acquired land exceeded these minimum hurdle rates.

The transformation of our land bank from older low margin land to newly acquired high margin land is progressing well. In 2014, 65% (2013: 49%) of completions were from newly acquired high margin land and this will increase in FY15, underpinning further improvements in financial performance. We expect 95% of all completions to be from new land for FY17 and that the Group gross margin will be a minimum of 20%.

Driving value

During the year, private average selling price increased by 12.9% from £213,900 to £241,600. This reflects our strategy of changing the mix of homes we sell and ensuring we maximise value coupled with house price inflation of around 5% for the year.

We are continuing to focus on carefully matching the type and style of homes we build to local demand conditions.

- 1 Return on capital employed 'ROCE' is calculated as earnings before interest, tax, operating charges relating to the defined benefit pension scheme 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.
- 2 Site ROCE on land acquisition is calculated as site operating profit (site trading profit less overheads less allocated administrative overheads) divided by average investment in site land, work in progress and equity share.

Private average selling price

£241,600

(2013: £213,900)

Profit before tax

£390.6m

(2013: £192.0m before exceptional items)

Approved land purchases

£1,198.1m

(2013: £1,047.3m)

Return on capital employed

19.5%

(2013: 11.5%)

The proportion of larger homes in attractive locations has increased and we are building fewer apartments. Outside of London, the proportion of our completions that were apartments fell from 21.5% to 17.4% during the year.

Stronger market conditions have led to an increase in underlying house prices. During the year we saw this reflected in the higher prices being achieved for our homes, particularly in London, the South East and the East of England with smaller increases elsewhere in the country.

A key component of our marketing proposition remains quality and good design. Higher quality homes on attractive, well designed developments command a price premium compared to the second-hand market in many areas.

Efficiency and costs

Higher production volumes across the industry placed a number of well publicised pressures on the supply chain. Increased costs and shortages of materials were experienced across the industry, however we experienced limited disruption to our build programme.

Our operating model of building a high proportion of standardised products, strong supplier relationships and centralised procurement contracts has served us well.

Mum-to-be Melissa and her partner Richard are settling into their new home at Meadow Rise in Stockton, where they were the 200th Barratt buyers.

A shortage of skilled labour did increase costs, with bricklaying the most affected area. However, these costs form a low proportion of our total cost base. Overall we have seen a low single digit increase in our build costs. Over the next twelve months we expect low single digit build cost inflation.

Driving returns on capital

During the year we continued our focus on increasing return on capital achieving a ROCE of 19.5%, up from 11.5% in FY13. As a result, we exceeded our target of 18% two years ahead of schedule and we have now revised our target to a ROCE of at least 25% for FY17.

New land coming into production is a key driver of return on capital for the business and we have a 25% hurdle rate for all the new land we acquire. On completed sites to date that were acquired since 2009, we have generated a 39.2% ROCE.

A stronger Balance Sheet

Over the last three years we have moved from net debt of £322.6m as at 30 June 2011 to net cash of £73.1m as at 30 June 2014. This reflects our stronger trading performance combined with control of working capital.

Our priorities

We have developed four priorities to deliver leading financial performance and returns for our shareholders; customer first, great places, building excellence and investing in our people. For each area we have a number of targets in place that will drive the performance of the business. We believe that by innovating in these areas and consistently applying best practice, we will maximise sustainable returns for our shareholders.

Customer first

A fundamental part of our strategy is to increase customer preference by building great homes and providing an outstanding experience for our customers. We have again achieved a customer recommendation score of over 90%, achieving a HBF 5 Star customer rating for the fifth consecutive year. We are the only major housebuilder to achieve this.

We ensure that the value of our David Wilson and Barratt brands are maximised through carefully defined market positioning and by offering the right house types to the right market segments. During the year we have refreshed the Barratt Homes and Barratt London brands and this is proving popular with customers and our employees.

80% of customer leads are now generated through our websites and 94% of leads are actioned within five working hours. The cost-effectiveness of our lead generation is also reinforced by a national call centre that is now handling over 70,000 enquiries per year.

We continue to develop a series of optional extras for our customers to ensure that we meet their requirements. Last year 57% of our customers chose optional extras with an average spend of £3,900.

The Prime Minister, Rt Hon David Cameron MP, visited our West of Bedford development to meet some of our apprentices.

In the longer term we are continuing to research the lifestyle choices of our customers to ensure we understand emerging consumer trends.

Great places

Building great places requires the ability to secure outstanding sites at the right price and ensuring that through thoughtful design they are transformed into attractive places to live.

We are positioning ourselves as the local developer of choice based on the quality of our business and the ability to secure the right planning consents. As a result, we have been able to develop innovative partnerships with a number of land owners. During the year we approved £1,198.1m (2013: £1,047.3m) of land investment amounting to 21,478 (2013: 18,536) units on 156 (2013: 145) sites. As at 30 June 2014 the Group had 4.7 years (excluding JV's) of land supply, slightly exceeding the Group target of 4.5 years. This reflects our success at both acquiring operational land in the market and converting land from our strategic land.

We have made good progress on building our strategic land portfolio, which now comprises c. 69,200 plots (2013: c. 59,800 plots). In the year 10.0% (2013: 7.0%) of total completions were

on strategically sourced land, and as our rate of strategic land conversion increases, we expect strategic land to deliver around 20% of completions in FY17.

18.2% (2013: 24.1%) of the land acquisitions approved in the year originated from the public sector. This is an area of competitive advantage for the Group as the procurement requirements are complex and require high design, environmental consideration and delivery capability.

In terms of design, we are now using Building for Life 12 on all new sites to ensure that we create great places to live. We are the only major housebuilder to commit to the full implementation of this standard.

“

We are continuing to see the benefits of the operational changes we have made in terms of efficiency and the focus we have placed on improving the design and quality of the homes we build.”

Building excellence

The quality of our building processes and the homes we sell to our customers is of critical importance. For the tenth year in a row we have won more NHBC Pride in the Job Awards for the excellence of our site managers than any other housebuilder.

We believe that a 'right first time' approach is the most cost-effective option and we will continue to focus on the excellence of our build processes.

Where there are cost advantages and quality can be guaranteed, we are already adopting modern methods of construction ('MMC') in certain elements of home construction such as roofing systems. In the short term we will develop this approach further and in the longer term we believe there will be opportunities to develop a 'whole house' MMC approach across the business.

Investing in our people

Attracting and retaining the best people by investing in their development is fundamental to the success of our business, particularly as the industry continues to recover and skill shortages remain.

During the year over 750 of our sales advisers attended our internal sales academy, which awards a nationally recognised qualification, to ensure that our sales and service capability on site is enhanced. The first cohort of 36 assistant site managers

Trumpington Meadows, Cambridge, winner of the Evening Standard Large Development of the Year, a Building for Life 12 commendation and an NHBC Pride in the Job Award.

started our foundation degree course at Sheffield Hallam University and we now have 64 students on the course in total.

In addition, we announced a new target to recruit 1,100 apprentices, interns and graduates over a three year period. During the year our graduate scheme was voted the best in the UK in the Job Crowd's 'Best Companies for Graduates to work for'.

Current trading

Current market conditions remain strong. Following the launch of Help to Buy in April 2013, sales rates over the summer period last year were exceptionally strong. This year we have seen a return to more normal seasonal trends. We started the new financial year with a strong forward order position and in the last ten weeks net private reservations per active site per week have averaged 0.62 (FY14 equivalent period: 0.66) in-line with our targets.

Pricing remains strong as we focus on achieving the best value for the outstanding homes we build and continue to see the benefits of reduced sales incentives coupled with improvements in selling prices arising from both underlying price inflation and changes in mix.

As at 7 September 2014 total forward sales (excluding JV's) for the Group were up 22.3% at £1,505.9m (8 September 2013: £1,231.3m) equating to 7,682 plots (8 September 2013: 6,676 plots). Private forward sales (excluding JV's) were £1,145.6m (8 September 2013: £880.4m), up 30.1%. JV total forward sales at 7 September 2014 were £249.8m (8 September


2013: £164.3m). JV private forward sales were £148.9m (8 September 2013: £156.3m).

Outlook

This has been a very strong performance and the outlook for the Group is positive.

We are continuing to see the benefits of the operational changes we have made in terms of efficiency and the focus we have placed on improving the design and quality of the homes we build. These disciplines coupled with the strength of the market and the quality of the land we are acquiring will support a further significant increase in performance in FY15 and progress towards the new ROCE target we have set of at least 25% by FY17.

With our strong projected cash generation, we are pleased to announce that our ordinary dividend programme will be supplemented by a special cash payment programme for the three years to FY17. The first special cash payment is £100m in November 2015, with £125m in November 2016 and £175m in November 2017. In combination, we expect to return around £950m of cash through ordinary (based on consensus earnings) and special cash payments to our shareholders in the next three years.


Mark Clare

Group Chief Executive

9 September 2014

Our priorities and key performance indicators

We will deliver sustainable shareholder value by innovating and consistently using best practice across our priorities whilst applying our principles and acting responsibly.

Our priorities and our principles	Our strategy	How we measure our performance
Delivering sustainable shareholder value		
Building profitability	<ul style="list-style-type: none"> Investing in high margin land to transform our land bank. All new land acquisitions must meet a 20% gross margin hurdle rate Driving value through changing the mix of homes we sell and ensuring we get the right price for the outstanding homes we build Driving efficiency and managing cost through having a high proportion of standardised products and strong supplier relationships 	<p>Target:</p> <ul style="list-style-type: none"> 95% of completions from more recently acquired land for FY17.
Driving return on capital employed	<ul style="list-style-type: none"> Increasing return on capital through our new land coming into production. All new land acquisitions must meet a 25% ROCE hurdle rate 	<p>Target:</p> <ul style="list-style-type: none"> 18% ROCE for FY16, achieved in FY14. New target of at least 25% ROCE for FY17.
Total shareholder return	<ul style="list-style-type: none"> Maximising total shareholder return 	<p>Target:</p> <ul style="list-style-type: none"> Deliver at least a median total shareholder return when compared against the FTSE 250 Index (excluding investment trusts) over a three-year period Ordinary dividend cover of three times from FY16 Special cash payment programme of £400m over three years ending November 2017

1 Key performance indicator used to assess performance for annual incentive scheme

2 Key performance indicator used to assess performance for long term incentive schemes

Our performance

Our progress in the year

More information

Completions from more recently acquired higher margin land

65%
(2013: 49%)

- 330 basis point increase in operating margin³ to 13.0% (2013: 9.7%)
- Profit before tax increased by 103.4% to £390.6m (2013: £192.0m before exceptional items) driven by increased completion volumes, a greater proportion of completions from more recently acquired land, some underlying house price inflation and continued efficiency gains

See page 8

- 800 basis point increase in ROCE to 19.5%, exceeding our FY16 target of 18% two years ahead of schedule

See page 9

Total shareholder return for the three years ended 30 June 2014²:

239.3%
(2013: 171.8%)

Ordinary dividend per share

10.3 pence
(2013: 2.5 pence)

- Delivered upper quartile total shareholder return for the three years ended 30 June 2014
- Ordinary dividend of 10.3 pence per share – three times cover – two years ahead of target
- Special cash payment programme of £400m over three years ending November 2017

See pages 22 and 81

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

For more information see Directors' Remuneration Report pages 62 to 86

Our priorities and key performance indicators continued

Our priorities and our principles	Our strategy	How we measure our performance
Innovating and consistently using best practice to strengthen our business		
Customer first	<ul style="list-style-type: none"> • Building great homes and providing an outstanding customer experience • Anticipating our customers' evolving needs by continuously improving the homes and places we build 	<p>Target:</p> <ul style="list-style-type: none"> • HBF 5 Star status for customer satisfaction
Great places	<ul style="list-style-type: none"> • Securing the best land in the most desirable locations by building long term partnerships • Designing developments which look great, are a pleasure to live on, and enhance local communities 	<p>Target:</p> <ul style="list-style-type: none"> • Land approved for purchase of 21,000 plots • 4.5 year owned and controlled land bank
Building excellence	<ul style="list-style-type: none"> • Delivering the highest quality homes by focusing on excellence across all aspects of construction • Embracing the best new methods of on and offsite construction to increase build efficiency 	<p>Target:</p> <ul style="list-style-type: none"> • Controlled completions volume growth
Investing in our people	<ul style="list-style-type: none"> • Attracting and retaining the best people by investing in their development and success • <i>Creating a great place to work, founded on an open and honest culture that embraces diversity and inclusion</i> 	<p>Target:</p> <ul style="list-style-type: none"> • Employee engagement of 70%
Acting responsibly		
Keeping people safe	<ul style="list-style-type: none"> • Putting health and safety first by committing to the highest industry standards • Embedding health and safety as a core value within our business 	<p>Target:</p> <ul style="list-style-type: none"> • Health and safety compliance rate of 93% • Reduce reportable incidents by 5% on 2013 levels

1 Key performance indicator used to assess performance for annual incentive scheme

2 Key performance indicator used to assess performance for long term incentive schemes

Our performance

Our progress in the year

More information

HBF 5 Star Housebuilder¹

- Only national housebuilder to be awarded HBF 5 Star status for fifth consecutive year
- Continually investing in improving our product quality and customer service

See page 23

Owned and controlled
land bank¹**4.7 years**

(2013: 4.4 years)

- Achieved our land approved for purchase and land bank targets
- Committed to designing great places – all new developments designed from 1 January 2014 must meet Building for Life 12 standards

See page 26

- Significant increase in housing completions with the Group responding to sustained strength in consumer demand across all areas of the country

See page 28

Employee engagement¹**78%**

- Exceeded employee engagement target
- Continue to invest in our 'Future Talent' strategy and are making good progress towards our target of employing 1,100 graduates, trainees and apprentices over a three-year period

See page 31

- Achieved target health and safety compliance rate
- Disappointed that our reportable injury incidence rate has increased year-on-year. Focused on enhancing our procedures and have appointed a Board Committee to improve stewardship of Health and Safety performance

See page 33

Our priorities and key performance indicators continued

Our priorities and our principles	Our strategy	How we measure our performance
Acting responsibly continued		
Being a trusted partner	<ul style="list-style-type: none"> • Building meaningful, long term relationships that make us the developer of choice for our partners • Innovating with our supply chain to drive efficiency and meet our customers' needs 	<p>Target:</p> <ul style="list-style-type: none"> • c. 20% of land plots approved for purchase from public sector sources • Launch sustainable procurement policy and work with our top 30 Group suppliers
Building strong community relationships	<ul style="list-style-type: none"> • Engaging fully with local communities and customers when creating new developments • Ensuring our work creates a positive legacy that helps local communities thrive 	<p>Target:</p> <ul style="list-style-type: none"> • Establish KPIs to develop our Community Policy within our business • Roll-out our local authority engagement programme across our divisions • Assess the socio-economic benefit of our developments
Safeguarding the environment	<ul style="list-style-type: none"> • Minimising the environmental impact of our operations and supply chain while increasing the energy and resource efficiency of our homes • Seeking to enhance habitats, biodiversity and local environments across all of our developments 	<p>Target:</p> <ul style="list-style-type: none"> • Adopt an industry-leading role in influencing policy and developing innovative solutions to meet Zero Carbon Homes challenge • 100% FSC/PEFC timber compliance by 31 December 2013 • Continue to achieve at least a 95% diversion of waste from landfill
Ensuring the financial health of our business	<ul style="list-style-type: none"> • Taking individual responsibility for driving the financial management and performance of the business • Maintaining financial discipline across all aspects of our operations 	<p>Target:</p> <ul style="list-style-type: none"> • Maintaining an appropriate capital structure of: <ul style="list-style-type: none"> – Minimal year end net debt – Land creditors around 35% of owned land bank for FY16 • Maintain land purchase hurdle rates of 20% gross margin and 25% site ROCE

1 Key performance indicator used to assess performance for annual incentive scheme

2 Key performance indicator used to assess performance for long term incentive schemes

Our performance

Our progress in the year

More information

Percentage of land plots approved for purchase from public sector sources

18.2%
(2013: 24.1%)

- Continue to work with a variety of partners to bring forward land for development
- Experienced in regenerating and delivering new communities and have been selected to deliver a number of complex projects on public sector land in the year
- Sustainable procurement policy launched
- Annual supplier conference attended by 130 suppliers
- Supplier sustainability survey issued

See page 34

- Community Policy KPIs established
- Local authority engagement programme rolled out
- Group economic footprint published in March 2014. First Group socio-economic footprint included in our 2014 Sustainability Report

See page 34

- Continue towards requirements of Zero Carbon homes from 2016. 5,544 of our completions met Code for Sustainable Homes Level 3 or above
- Built 63% of our homes on brownfield sites in the year
- Published an Ecology and Biodiversity Policy in the year and entered into a unique national partnership with the RSPB
- Achieved 100% FSC/PEFC timber compliance by 31 December 2013

See page 35

- Maintained appropriate capital structure at 30 June 2014 and will continue to do so in FY15
- Maintained land purchase hurdle rates of 20% gross margin and 25% site ROCE
- On sites completed to date that were acquired since 2009 we have generated a 39.2% ROCE

See page 35

Demand for housing outpaces supply

In the 2014 calendar year to date there has been house price growth across all UK regions. Housebuilders have responded by increasing the number of new homes being built but significant challenges remain to address the shortfall in housing stock.

The UK economy and housing market

The UK economy continued to grow in the twelve months to 30 June 2014, with most economic indicators showing significant improvements on the prior year. The UK housing market has continued to recover with strength beginning to be seen in all regional markets as well as in London and the South East.

Mortgage lending has improved and the Government's Help to Buy (Equity Loan) scheme has had an important effect in accelerating the construction of new housing. UK residential housing transactions for the year to 30 June 2014 increased by 24% on the prior year to 1.19 million transactions (source: HM Revenue & Customs ('HMRC')).

Housing supply

The supply of new housing has increased, with 137,780 new housing starts in the year to 30 June 2014 in England, an increase of 22% on the prior year (source: Department for Communities and Local Government ('DCLG')). Whilst this represents a positive move, new housing starts remain c. 40,000 lower than the pre-downturn peak and significantly lower than that required to meet the demand from new household creation. The DCLG estimates that 221,000 homes need to be created per annum until 2021 to meet the demand from new household creation.

Help to Buy and mortgage availability

In April 2013 the Government introduced Help to Buy to improve the supply of mortgage finance. There are two parts to the scheme: Help to Buy (Equity Loan), which is for new homes in England, and Help to Buy (Mortgage Guarantee), which can be used on all home purchases. Help to Buy (Equity Loan) has had a major impact upon new housebuilding, enabling 25,992

First time buyers Verity and Jamie Cundill purchased a home at Cathedral Walk in Wells, Somerset.

New housing starts in England

137,780

(2013: 112,610)
Source: DCLG

UK average house price in June

£183,462

(2013: £167,668)
Source: Halifax

purchases in England in the year to 30 June 2014 with 85% of purchasers using the scheme being first time buyers (source: DCLG). However, the scheme has had a limited impact on the wider housing market in the UK as it represented only 2.5% of HMRC residential housing transactions in England¹. Help to Buy (Mortgage Guarantee) has had a limited impact on the second-hand homes market, being used on only 7,313 purchases over the first six months of its operation (source: HM Treasury).

During the year, there has also been an increase in the availability of mortgage finance. The number of mortgage approvals for house purchases rose by 25% to 798,645 approvals in the year to 30 June 2014 and the value of mortgage approvals for house purchases rose by 32% to £126,117m (source: Bank of England).

The Mortgage Market Review rules came into effect in April 2014. These require lenders to undertake additional due diligence on borrowers' ability to meet mortgage repayments. Also in May 2014, the Governor of the Bank of England expressed his concern on the growth of house prices in the South East of England. Subsequently, Lloyds Bank and the Royal Bank of Scotland introduced policies to address the risks relating to house price inflationary pressures in their mortgage portfolios by reducing the income multiple limits on higher value properties. In June 2014, the Bank of England outlined plans to limit the level of high loan to income mortgage lending.

House prices

The shortfall in the supply of housing stock and the greater availability of mortgage finance meant that house prices rose significantly in the year. The ONS house price index rose by

Bodington Manor is set in the attractive suburb of Adel in North Leeds and offers David Wilson four and five bedroom homes.

an average of 10.2% p.a. across the UK for the month of June 2014. The increase was particularly marked in London and the South East of England, where the ONS house price index for London properties rose by 19.3% in June 2014 on the prior year. Outside of London and the South East, the ONS house price index rose by 6.3% in June 2014. According to the Halifax, the UK average house price in June 2014 was £183,462, which rose by £15,794 on June 2013.

Housing market outlook

Underlying demand for new housing is expected to remain strong in the long term but based on the current level of new housing starts, supply is unlikely to meet this demand in the short term.

¹ DCLG Help to Buy (Equity Loan) purchases divided by HMRC residential transactions in England for the year ending 30 June 2014.

Delivering our priorities

We have traded well throughout the financial year, delivering a very strong performance and have seen significant improvements across all financial metrics.

Group highlights

£m unless otherwise stated	Year ended 30 June 2014	Year ended 30 June 2013 ¹	Increase
Total completions ² (plots)	14,838	13,663	8.6%
Average selling price (£)	219,900	194,800	12.9%
Revenue	3,157.0	2,606.2	21.1%
Profit from operations before exceptional items	409.8	252.7	62.2%
Profit from operations	409.8	249.9	64.0%
Operating margin ³ (%)	13.0	9.7	330bps
Profit before tax before exceptional items	390.6	192.0	103.4%
Profit before tax	390.6	104.5	273.8%
Basic earnings per share (pence)	31.2	7.7	305.2%
Return on capital employed (%)	19.5	11.5	800bps
Net cash/(debt)	73.1	(25.9)	99.0
Net assets	3,354.0	3,073.2	9.1%
Net tangible assets	2,461.8	2,181.0	12.9%

Percentage of completions on more recently acquired land

65%

(2013: 49%)

Operating margin³

13.0%

(2013: 9.6%)

Return on capital employed

19.5%

(2013: 11.5%)

Our performance

We aim to deliver sustainable shareholder value through the implementation of our priorities and the delivery of our key financial objectives of building profitability and driving ROCE. We have made significant progress in both of these objectives during the year, achieving a 330 basis points increase in operating margin, a 103.4% increase in profitability and a 800 basis points improvement in ROCE to 19.5%, exceeding our target for FY16 of 18% two years ahead of schedule.

Our businesses

£m unless otherwise stated	Housebuild	Commercial	Total
Total completions ² (plots)	14,838	-	14,838
Revenue	3,142.6	14.4	3,157.0
Profit/(loss) from operations before exceptional items	410.8	(1.0)	409.8
Operating margin (%)	13.1	(6.9)	13.0
Share of post-tax profit/(loss) from joint ventures and associates	40.7	(0.2)	40.5

Housebuilding

We have experienced a positive trading environment with strong demand for new homes across the country and significant improvements in operating metrics across all six of our operating regions.

Sales rates were up significantly in the year at 0.69 (2013: 0.58) net private reservations per active site per week. This increase reflects a full year of the Government's Help to Buy (Equity Loan) scheme in England, as well as the combination of our carefully selected locations, improved house design and development layout, and the investment we have made in our sales and marketing functions.

During the year we operated from an average of 364 (2013: 381) active sites (excluding JV's). We opened 132 sites (2013: 139 sites) with the level of interest in our site openings showing the strong demand for our homes across the country.

Completions for the full year including JV's, were up 8.6% at 14,838 (2013: 13,663). Private completions were up by 8.7% to 11,936 (2013: 10,978), affordable completions were 2,255 (2013: 2,268), and JV completions in which the Group had an interest were 647 (2013: 417). This represents our highest level of completions in six years. We continue to increase the

¹ The Consolidated Income Statement has been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee benefits' in the year.

² Includes joint venture (JV) completions in which the Group has an interest.

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

Lillies Hill, Felpham showcases the finest David Wilson home designs, and is located close to the countryside and the coast.

proportion of our completions that are on more recently acquired higher margin land; these accounted for 65% (2013: 49%) of the total in the year. The growth in completion volumes has also enabled us to gain efficiencies from our 27 division operating structure.

Help to Buy (Equity Loan) has provided a very attractive opportunity for our customers, especially for first time buyers. During the year 31.4% (2013: 4.0%) of our total completions (excluding JV's) used the scheme.

We have seen a reduction in the use of our own sales schemes, with just 0.3% (2013: 10.0%) of our completions using equity share schemes other than Help to Buy (Equity Loan) and 8.3% (2013: 15.7%) using part-exchange. This has led to a reduction in our incentive costs.

Our total average selling price ('ASP') increased by 12.9% to £219,900 (2013: £194,800) in the financial year. The majority of this increase continues to be driven by changes in mix. We have also seen underlying sales prices strengthen throughout the year across all regions. Private average selling price increased by 12.9% to £241,600 (2013: £213,900) driven by the same factors, and affordable average selling price increased by 2.8% to £105,300 (2013: £102,400).

During the year we saw some upward price pressure on materials, in particular for bricks and timber. A shortage of skilled labour did increase costs, with bricklaying the most

affected area. However, these labour costs are a low proportion of our total cost base. Overall we have seen a low single digit increase in our build costs. Over the next twelve months we expect low single digit build cost inflation.

Housebuilding operating profit increased by 62.6% to £410.8m (2013: £252.7m before exceptional items, £249.9m after exceptional items).

We have a total of 12 (2013: 10) housebuilding JV sites of which 6 (2013: 7) are in London. The total future gross development value of our JV's as at 30 June 2014 was £3.0bn, the majority of which is expected to be delivered over the next six years. We have continued to make good progress on our housebuilding JV's and during the year fully completed the development of Altitude, Aldgate which is a Barratt London JV with L&Q. Housebuilding profit from JV's and associates for the year was £40.7m (2013: £7.7m).

Commercial developments

Since the downturn, outside London and the South East, the commercial occupier market has been able to satisfy demand through the availability of lower cost second-hand space. E-commerce logistics requirements present opportunities for larger distribution facilities. The retail occupier market remains challenging, although leisure occupiers have continued to perform well throughout the downturn. Mixed-use leisure and residential schemes are a focus for Wilson Bowden Developments going forward.

Operating and Financial Review continued

Commercial development revenue was £14.4m (2013: £13.6m) with an operating loss of £1.0m (2013: break-even). We completed land sales totalling 31 acres, stock property disposals totalling 152,000 sq. ft. and we also agreed a forward-funded deal for a 118-bed hotel in Derby city centre, with works due to start on site shortly. In our town centre projects, build activity has commenced on our 200,000 sq. ft. Hinckley scheme, which is substantially forward-funded and pre-let. Barratt London and Wilson Bowden Developments have been appointed Preferred Developer on a major mixed-use regeneration project in the London Borough of Hounslow.

Results

The improved performance in our housebuilding business resulted in an operating profit of £409.8m (2013: £252.7m before exceptional items, £249.9m after exceptional items) at an operating margin of 13.0% (2013: 9.7%).

The finance charge for the year was £59.7m (2013: £68.3m before exceptional items, £147.6m after exceptional items), consisting of a cash finance charge of £26.7m (2013: £47.5m) and £33.0m (2013: £20.8m) of non-cash charges.

Profit before tax for the year was £390.6m (2013: £192.0m before exceptional items, £104.5m after exceptional items). The increase of £198.6m excluding exceptional items was driven by increased completion volumes, a greater proportion of completions from more recently acquired land, some underlying house price inflation and continued efficiency gains.

The tax charge for the year was £85.2m (2013: £29.8m). The rate of tax assessed for the year is slightly below the standard effective rate of corporation tax of 22.5% (2013: 23.75%), due to a number of items, the largest of which was the use of previously unrecognised losses.

Profit after tax for the year was £305.4m (2013: £74.7m), resulting in basic earnings per share of 31.2p (2013: 7.7p).

Return on capital employed

We have been focused on driving a substantially improved ROCE and for the year delivered a ROCE of 19.5% (2013: 11.5%). This exceeds our target of 18% ROCE for FY16, two years ahead of schedule. We have now set a target of at least 25% ROCE for FY17.

Capital Return Plan

The Board has announced its Capital Return Plan with the intention of supplementing the Company's ordinary dividend payments with a special cash payment programme.

The Board proposes to pay a final ordinary dividend of 7.1 pence (2013: 2.5 pence) per share for the financial year ended 30 June 2014, which subject to shareholder approval, will be paid on 20 November 2014 to shareholders on the register at the

close of business on 31 October 2014. Together with the interim ordinary dividend of 3.2 pence per share, which was paid in the year, this gives a total ordinary dividend for the year of 10.3 pence per share. The ordinary dividend was covered around three times by basic earnings per share, achieving our target of three times ordinary dividend cover for FY16 two years ahead of schedule.

Under the special cash payment programme the Board anticipates proposing a special cash payment with our FY15 results of £100m payable in November 2015, followed by a special cash payment of £125m proposed with our FY16 results payable in November 2016, and a special cash payment of £175m proposed with our FY17 results payable in November 2017. We will consider the best mechanism to effect the special cash payment programme such as using a B-class share scheme or a special dividend.

In combination, the Capital Return Plan is expected to return around £950m of cash through ordinary (based on consensus earnings) and special cash payments to the Company's shareholders in the next three years.

Net cash

We generated £242.3m (2013: £165.8m) of cash from our operations during the year, which resulted in net cash of £73.1m at 30 June 2014 (2013: £25.9m net debt).

As we increase site numbers, make scheduled payments on agreed new land and build work in progress to deliver spring 2015 completions, we expect net debt at 31 December 2014 to increase in line with normal seasonal trends (2013: £155.0m). It remains our objective to maintain an appropriate capital structure and have minimal year end net debt.

Altitude is a stunning 27 storey tower situated in the heart of the regeneration of Aldgate.

Our strategy in action

Our vision is to lead the future of housebuilding by putting customers at the heart of everything we do.

We will deliver sustainable returns for our shareholders by focusing on our priorities and our principles.

Our Priorities

We have four priorities to strengthen our business: customer first, great places, building excellence and investing in our people.

Customer first

Key highlights

- Only major housebuilder to achieve HBF 5 Star status for fifth consecutive year
- Continually investing in improving product quality and customer service including site-based technology, our website and training
- Undertaken recent research into customer needs and are using this throughout our business including in our house designs
- Working with lenders to provide our customers with access to a wide a range of mortgage products

HBF

5 Star

Housebuilder

Our priority is to build great homes and provide a customer experience that exceeds expectations. We seek to anticipate our customers' evolving needs by continuously improving the homes and places we build.

Customer satisfaction

We are proud to have been awarded the Home Builders Federation ("HBF") 5 Star status five years in a row for excellence in customer recommendation as measured by the HBF/NHBC customer survey. We continually invest in both improving our product quality and customer service. In order to give our customers peace of mind we also offer a five-year customer warranty that covers the majority of fixtures and fittings over and above the ten-year NHBC structural warranty.

We have reviewed all of our quality control procedures in the past year to ensure that they drive the best product quality possible. All of our homes are inspected at a number of key stages and are approved by site managers, contract managers, sales staff and a divisional director before handover to our customers. Our senior management team monitors customer satisfaction survey performance on a weekly basis.

Site-based technology facilitates the monitoring of both product quality and customer service. We have upgraded site-based technology in the last year with the introduction of tablet computers so that site managers can sign-off each quality control check point. We have also invested in our customer service reporting systems and are in the process of redeveloping our in-house system.

Using technology to help improve quality for our customers

In 2010 our quality control procedures saw us put in place handheld devices in order to check and record the build quality of our plots. Building on that initial success we have conducted a full refresh of the application and the hardware in the last year.

Our people are central to delivering customer satisfaction and we have developed a new training programme for all customer-facing staff to reinforce our policies and procedures and ensure that our employees understand and display customer focused behaviours. During the year, 327 existing employees have attended a one-day customer service training programme. All new customer-facing employees will attend a two-day programme in the first three months of employment.

Communicating with our customers is also essential for excellent customer service. We are rolling out a new customer service section of our website, which allows customers to make service enquires directly to the relevant member of our team. It also explains the service process and what is covered by warranties and guarantees. We have also reviewed our customer service communications in the year and have introduced a welcome card and email for every customer, which explains which divisional director approved their home and how to raise any queries.

All sites are now equipped with tablet computers with a quality control application installed for the systematic checking of plots through all stages of the build. The system is closely aligned to the NHBC equivalent ensuring that we follow diligently what is expected and beyond.

Further to the Site Manager sign off there are several key stages that are to be checked periodically by the Contracts Manager adding that extra level of quality protection to our product. In total there are around 2,500 individual components that make up the standard quality checks for our homes.

Data from these inspections is collated and can be analysed to look for trends in the design, the construction or the materials used. We are able to perform this analysis on a national scale therefore the Site Manager now has a tool and a voice in order to raise any matters regarding the quality of our products. Similarly this information can be shared with subcontractors and suppliers in order to seek further quality improvements.

For further information see www.barrattdevelopments.co.uk

Responding to customer needs

We carefully consider customer preferences in the development of the Barratt and David Wilson product ranges. Our product ranges are regularly reviewed to ensure that they reflect latest trends and customer feedback and provide internal layouts designed with modern living in mind, with free-flowing living areas and natural light.

During the year we have conducted a number of consumer insight initiatives. These include customer segment research in order to better understand the product, service and marketing requirements of each type of customer; research into consumer attitudes towards sustainability and the awareness of the sustainable features of our homes; and a review of our current and proposed house type ranges for Barratt Homes. We are using the output from this research throughout our business from house design to sales and marketing.

Accessibility to home ownership

Customers now have improved access to mortgage finance that allows them to buy with a 5% deposit through the Government sponsored Help to Buy and NewBuy schemes and through an increase in the range of higher loan to value products available through regional building societies.

We welcome the recent recommendations from the Bank of England to put in place controls to limit the level of high loan to income lending from banks in the future and to ensure appropriate levels of affordability testing. We believe the proposals will provide greater stability for the market, without significantly reducing the ability of customers to secure mortgage finance. We believe that a stable pricing environment is one that will enable us to drive sustainable returns over the long term for our shareholders.

We continue to work with a broad set of lenders through our approved brokers to ensure that our customers have access to a wide range of mortgage products. This has resulted in a reduction in the reliance of our customers on the two largest lenders, Lloyds Bank and Nationwide. During the year we launched a range of products exclusive to Barratt in association with the Leeds Building Society. The products are innovative, with some allowing an initial three or six months period with no interest charged, well priced and are backed by a service proposition designed around our customers' needs.

The 'Single Sales Principle' training programme is accredited by the Institute of Sales and Marketing Management. It has also won the Sales Development Programme of the Year at the British Excellence in Sales & Marketing Awards. The methodology behind the programme is designed to ensure that customer's needs are met and the highest value achieved for our homes.

We have trained our sales managers to become accredited assessors for the programme. This assessment is followed up with a mystery shopping programme twice a year.

In addition we have refined our recruitment criteria and selection processes. This is to ensure we appoint new sales advisers who benchmark well against the behaviours demonstrated by our very best people.

New starters are then inducted and trained through a three-month programme.

For further information see www.barrattdevelopments.co.uk

Investing in our sales advisers

Over the last two years we have adopted a new sales training approach with an external training partner. Our aim is to ensure we have a sales team with the highest capability in the industry.

Great places

Key highlights

- We continue to see high quality land opportunities across all regions that meet our required hurdle rates
- The transformation of our land bank to more recently acquired higher margin land is progressing well (84% of our owned and controlled land bank at 30 June 2014)
- Detailed planning permission has been obtained on 98% of FY15 expected completions and outline planning on a further 2%
- All developments designed from 1 January 2014 to meet the Government endorsed Building for Life 12 design standard

21,478

plots approved for purchase
(2013: 18,536 plots)

4.7

years owned and controlled land
supply (excluding JV's)
(2013: 4.4 years)

As a business our success is dependent upon securing the best land in the most desirable locations by building long term partnerships, and designing developments that look great, are a pleasure to live on and enhance the existing local communities.

Securing the best land

The most important factor in our drive to build profitability is acquiring and bringing into production high margin land. In the year, 65% (2013: 49%) of our completions were from more recently acquired higher margin land.

We continue to see high quality land opportunities across all regions that meet our required hurdle rates of a gross margin of 20% and a ROCE of 25%. In the year we have approved a total of £1,198.1m (2013: £1,047.3m) of land equating to 21,478 plots (2013: 18,536 plots).

Our success in buying land is based on the extensive local knowledge of our divisional land teams and strong local relationships with land owners, combined with detailed assessments of local market conditions. We target locations based on the availability of land, housing market conditions and the likelihood of obtaining planning consent.

We continue to target a regionally balanced land portfolio with a supply of owned and controlled land of approximately 4.5 years. As at 30 June 2014, we have achieved our target with a 4.7 year land supply (excluding JV's) comprising 3.4 years of owned land, and 1.3 years of conditionally contracted land.

Land approved for purchase

	Year ended 30 June 2014	Year ended 30 June 2013
Total	£1,198.1m	£1,047.3m
Total number of plots	21,478	18,536
Location		
- South : North (by value)	45% : 55%	61% : 39%
- South : North (by plots)	35% : 65%	51% : 49%
Vendor		
- Government : Private (by plots)	18% : 82%	24% : 76%
Type		
- Houses : Flats (by plots)	84% : 16%	74% : 26%

The transformation of our land bank from older low margin land to more recently acquired high margin land is progressing well. As at 30 June 2014, 84% (2013: 73%) of our owned and controlled land is high margin, newer land.

At 30 June 2014, our JV's had an owned and controlled land bank in which the Group had an interest of 7,163 plots (2013: 2,776 plots), of which 4,419 plots (2013: 2,216 plots) are in London.

In addition, we have c. 10,900 acres (30 June 2013: c. 11,400 acres) of strategic land, which we actively manage to obtain the necessary planning consents. In the year, 5,205 plots (2013: 2,557 plots) were transferred from strategic land to our owned land bank, more than double the number in the prior year. Strategic land is expected to become an increasing proportion of our operational land in future years with a target of 20% of legal completions coming from this land for FY17.

We continue to seek to defer payment for new land where possible to drive a higher ROCE. Land creditors as at 30 June 2014 were £779.4m (30 June 2013: £744.4m) representing 33% (30 June 2013: 35%) of the owned land bank.

Delivering strategic land

Montague Park comprises 85 acres of farmland on the south east corner of Wokingham. We secured our interest on this site in 1996 through part freehold acquisition and part option agreement. It was an excellent opportunity for development in a well located and connected market town with good transport links to the capital.

Through working closely with the local authority we achieved planning in 2012, and work began on site in November 2013 with the first completions in June 2014.

This site will deliver 620 homes over the next five years across both the Barratt Homes and the David Wilson Homes brands, with all homes designed to suit the requirements of the Local Planning Authority. This site has a Building for Life 12 commendation for design, one of the first sites awarded this distinction in the country.

For further information see www.barrattdevelopments.co.uk

Our land bank

	Year ended 30 June 2014	Year ended 30 June 2013
Owned and unconditional (plots)	47,892	44,516
Conditionally contracted (plots)	18,678	13,138
Owned and controlled land bank	66,570	57,654
Number of years' supply based on completion volumes in financial year	4.7 years	4.4 years
Approved (plots)	5,326	6,174
Acres of strategic land	c. 10,900	c. 11,400
Potential delivery from strategic land (plots)	c. 69,200	c. 59,800
Land bank carrying value	£2,348.4m	£2,127.0m
Average housebuilding cost per plot	£46,400	£45,000
Cash expenditure on land in the year	£814.0m	£677.5m

Obtaining effective planning permissions

An important part of bringing land into production is the planning process. We have seen some improvements, 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 their plan for a five-year land supply. This is leading to an improved dialogue between local authorities and our divisions. Nevertheless, the planning process remains a lengthy one and on average it takes us around 70 weeks from commencing the formal pre-application process to achieving planning consent. The length of the planning process will remain a restriction on the speed at which housing supply can increase.

We have maintained good momentum in achieving planning consents, and during the year we secured planning on 21,004 plots (2013: 14,964 plots). We currently have detailed planning permissions on 98% of expected FY15 completions and outline consent on a further 2%.

Designing great places

Designing great places is fundamental to our business: our customers want to live in great places; the vendors of the land we purchase want to work with developers who leave behind a legacy of design quality; and local people want developments that enhance their community. We have therefore made the commitment to achieve the Built for Life quality mark on all developments designed from 1 January 2014. Building for Life is the Government endorsed industry standard for creating well designed residential places. At the Building for Life launch event in April 2014, we won seven out of the 16 commendations awarded; with a further ten of our sites being awarded commendations by the end of June.

Award winning design

De Lacy Court is a development of 13, two to five bedroom homes in the north Leicestershire village of Castle Donington designed to reflect the village's heritage. It has been externally recognised for its design, being awarded a Building for Life 12 commendation and also winning the bronze award in the Best Development category of the 2013 WhatHouse? awards.

The development layout was derived from a historical sandstone wall which originally ran 100 metres across the length of the site. Given its local significance, the original line of the wall has been retained, with the original stone creating a mixture of front garden walls, decorative plinths and ground level stone setts within driveways. Restoration work was carried out by a local stonemason who used traditional methods and lime mortar to rebuild the wall. This has been complemented by the retention of mature trees and hedges within the site.

The development uses David Wilson Homes standard house types, individually enhanced to include features inspired by existing properties found in Castle Donington. This includes the use of Victorian style square bays; wooden double glazed windows; timber doors; oak garage doors; and timber detailing. Traditional character and an established feel have been further added in the use of Flemish bond and recessed pointed brick work. The development integrates into its local context, with public open space at the entrance of the site providing a meeting point and play area.

For further information see www.barrattddevelopments.co.uk

Building excellence

Key highlights

- We remain focused on delivering the highest quality homes to drive sales and operating efficiencies
- Our site managers achieved the highest number of NHBC Pride in the Job Awards for the tenth consecutive year
- Continued focus on partnering with our supply chain ensuring continuous availability of materials as market demand has increased

Total completions including joint ventures

14,838

(2013: 13,663)

We are focused on delivering the highest quality homes through excellence across all aspects of construction and embracing the best new methods of construction to increase build efficiency.

Delivering high quality homes

Delivering the highest quality homes to all of our customers is central to our business and continues to drive sales and operating efficiencies. During the year we completed and sold 14,838 (2013: 13,663) homes.

We are particularly pleased that in June 2014, our site managers have again received the highest number of awards for quality

The beautifully designed bright and airy interiors create a sense of space in our homes at De Lacy Fields in Bicester, Oxfordshire.

Quality construction

Elba Park, a partnership with the Homes and Communities Agency and Sunderland City Council, is creating a new community of 359 homes in a country park setting, on a site that was in continuous heavy industrial use for over 360 years. The site uses house types specifically designed for the location and is complex with a wide range of materials, external and technical features, and the use of low carbon technologies.

Quality of construction is a key priority for Senior Site Manager Mark Summersgill, whose outstanding work at Elba Park saw him become national runner-up in the NHBC Pride in the Job Awards in 2013. The site has also won a Considerate Constructors silver award.

Mark has introduced innovative ways of encouraging and maintaining first-class build quality at the site. This includes sharing examples of excellent workmanship across trades engendering a sense of pride between them. This is important, as having trades work together so that each respects the other's work, is key to construction excellence. In addition, a quality assurance process is applied to ensure that all stages of installation are signed-off. A strict regime of checks is conducted on each property, starting at foundation stage and continuing until the buyer has moved in, with Mark monitoring quality and progress on a daily basis.

For further information see www.barrattddevelopments.co.uk

workmanship in the NHBC Pride in the Job Awards. This is the tenth consecutive year that we have won more than any other housebuilder. We were also awarded Large Developer of the year at the 2014 RESI Awards.

Partnering with our supply chain

We have a centralised procurement team which has built long term relationships with our suppliers. This ensures the consistency of specification and technical performance of the materials used in our homes. Long term relationships have also enabled us to ensure the continuous availability of materials as demand increased. We also use many local subcontractors in the construction of our homes, who we partner with to ensure the availability of the skilled trades that we require.

We engage in continuous communication with our suppliers and hold regular performance and business reviews, training days and an annual supplier conference. This year we have also signed the Construction Prompt Payment Charter.

We have implemented a sustainable procurement and timber sourcing policy. We purchase substantial amounts of timber and since December 2013, all timber and timber products that we use are FSC/PEFC certified and originate from well managed forestry sources.

Innovating to improve efficiency

We constantly review the latest available technologies to assist us in meeting evolving regulations, increases in predicted demand and material shortages. In the year we conducted an analysis of offsite manufacturing to understand its potential benefits, constraints and challenges.

The majority of our homes are built with traditional brick and block construction. Alternative approaches may become more compelling if there are changes in materials and skills availability or cost, the regulatory environment or the need for faster construction. In 2015 we are aiming to identify the technologies most suitable for our business that will enable us to deliver our longer term strategic objectives.

and penthouses. The development includes a double-height lobby, shared courtyard, concierge, fitness suite and underground car park with car stacker.

From inception to completion, the project's development lifecycle presented a series of complex challenges for the Barratt London team. With both the original and the new building occupying the entire site footprint, significant constraints were placed on each of the demolition, logistics and construction aspects of the site's development.

The initial challenge of getting out of the ground required a complex engineering effort and took 12 months from demolition to reach ground level. Once at ground level, the team managed the difficult site logistics, onsite construction of the development's reinforced concrete frame, procurement and installation of the limestone facade and the fit out involving 450 tradespeople onsite from multiple disciplines.

Barratt London's construction expertise, focus on right first time delivery together with detailed planning, were essential in ensuring the successful delivery of this complicated development with construction from ground level to occupation completed in just 44 weeks.

Construction of the development within this timeframe would not have been possible without the support of local residents and community groups. Barratt London continuously communicated with local people, including through two public exhibitions, so they understood project milestones and could provide feedback.

For further information see www.barrattdevelopments.co.uk

Excellence in complex project delivery

The Courthouse on Horseferry Road in the City of Westminster represents one of the most challenging delivery programmes ever undertaken by the in-house construction team at Barratt London.

The development is an 11-storey residential building comprising 129 luxury studio, one, two and three bed flats

We have recently put together an Innovation Panel tasked with finding innovative products and services from across the supply chain. In 2015, we aim to work in partnership with some of our suppliers to explore ways to increase efficiencies in their materials manufacture and logistics processes.

We are also researching smart technologies and their use in future homes to improve the ability of customers to save energy.

Investing in our people

Key highlights

- Employee engagement of 78% with target for the year exceeded
- Continue to invest in our 'Future Talent' strategy and are making good progress towards our target of employing 1,100 graduates, trainees and apprentices over a three-year period
- Committed to providing an inclusive working environment

Employee engagement

78%

We aim to attract and retain the best people by investing in their development and success. We seek to create a great place to work, founded on an open and honest culture that embraces diversity and inclusion.

Engaging our people

As a business we believe that an engaged workforce is critical to our success. We conduct an annual employee engagement survey in order to gain valuable insight into how our people feel about working for us. In 2014 we appointed a new organisation to work with us to further develop employee engagement within our business. We are delighted that in our annual employee engagement survey we exceeded our target with an index of 78%, which is better than the UK employers norm of 63%. We develop and implement action plans following each survey to strengthen our business and to continue our position of being an employer of choice.

We have a 'Get Recognised' programme which allows our people to be rewarded by colleagues for a job well done with instant awards of £100 cash or a day's holiday. We also recognise the outstanding contributions of our people through quarterly awards for sales staff, apprentices and site managers as well as via individual and team excellence awards. Around 430 awards were made through these schemes in the last year.

Developing our talented people

We are committed to the development of our people and assisting in rebuilding the housebuilding skills base in order to drive our success. 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. Courses combine professional training (onsite and in the classroom) with industry recognised qualifications.

We continue to invest in and develop our 'Future Talent' strategy. In September 2013, we committed to employing 600 graduates, trainees and apprentices over a three-year period. In February 2014, we increased this number to 1,100 of which 340 will be recruited during 2014.

During the year we introduced a number of new entry level programmes in addition to our award winning graduate and apprentice programmes. Our paid undergraduate internship programme supports students studying built environment, marketing or HR degrees through a 48-week industrial placement. During the programme, interns complete 'mini rotations' to learn about our business before specialising in one area for the remainder of the year. Those who perform well are offered a permanent position with us upon completion of their degree.

We also introduced the concept of 'Accelerated Programmes'. These are one-year programmes in sales or construction for graduates who want to fast-track their learning in a job role, with the aim of progressing through to a management position in the future. Our first group have performed well and as a result, we are recruiting a further 35 in 2014.

Our two-year graduate programme continues to be a success. We were delighted to be ranked first in the Job Crowd's 'Best Companies for Graduates to work for' across all companies. We are also delighted that our graduates continue to win awards including at the National Graduate Recruitment Awards and the Birmingham Young Professional of the Year Awards.

Building skills for the future

Our bespoke Residential Development and Construction Foundation Degree was officially launched in November 2013. Designed by Barratt with Sheffield Hallam University, the first cohort of 36 students – Assistant Site Managers and Trainee Assistant Site Managers – and their Construction Director mentors joined Mark Clare and the Dean of the University at the induction. We now have 64 students on the course in total.

Diversity and inclusion

We are committed to providing an inclusive working environment where everyone feels valued and respected. We aim to have a diverse workforce that reflects the communities where we operate, delivering excellence for our customers and business by drawing on a range of talents, skills and experience.

The table below shows the number of men and women employed, as at 30 June 2014, across our business split between PLC Directors, Senior Managers and Employees.

	Men Number	%	Women Number	%	Total
PLC Directors	6	75	2	25	8
Senior Managers	238	88	34	12	272
Employees	3,674	67	1,801	33	5,475
Total workforce	3,918	68	1,837	32	5,755

The diversity policy relating to the appointment of PLC Directors is set out on page 55.

The degree is a three-year, part-time course, comprising a mix of classroom learning at the University and site based work. On completion of this course, students can move onto an eighteen month top-up course to obtain a BSc qualification.

It was created in response to a shortfall of young people entering professions within the industry and an absence of a degree programme in residential development. The programme is designed to equip school leavers with the skills and experience to cultivate successful and rewarding careers. It offers a credible alternative to university for those school leavers who wish to enter the workforce straightaway and still gain a degree level education. Following Barratt piloting the programme in the first year, the content will be shared across the Major Housebuilders Group.

The first set of students are performing well, with one already having been promoted to Site Manager. We're also delighted that the programme gained runner up position in the National Graduate Recruitment Awards in the Best School Leaver Programme category.

For further information see www.barrattdevelopments.co.uk

When considering our focus on diversity we do not just think in terms of gender. This year we launched a pilot in one of our regions to enhance our ability to attract a more diverse pool of talent. Focusing on ethnic minorities in the Leicestershire region we engaged with local schools and colleges with a high ethnic student population, informing them of the many career opportunities we offer and encouraging applications onto our Apprenticeship schemes. It was pleasing to see a significant year-on-year increase in job offers to ethnic minority applicants, and also a significant increase in the ethnic minority mix of employees in our East region. It is our intention to roll this programme out to the rest of the business. 33% of our interns and 23% of our graduates this year are from ethnic minorities.

Human rights

We support the United Nations' Universal Declaration of Human Rights and have policies and processes in place to ensure that we act in accordance with our principles in relation to areas such as diversity, anti-corruption and whistleblowing.

Our principles in action

In order to build a sustainable business that delivers value for shareholders, partners, communities and society we must act responsibly. We do this by keeping people safe, being a trusted partner, building strong community relationships, safeguarding the environment and ensuring the financial health of our business.

Key highlights

- Our reportable Injury Incidence Rate disappointingly increased to 379 (2013: 329) per 100,000 persons employed. The Board are focused on enhancing procedures and have appointed a Board Committee to improve stewardship of health and safety performance
- Continue to work with a variety of partners to bring land forward for development
- Appropriate capital structure maintained at 30 June 2014 with net cash of £73.1m (2013: £25.9m net debt) and land creditors of 33% (2013: 35%) of the owned land bank

Health and safety compliance rate

96%

(2013: 97%)

Operational greenhouse gas emissions per 1,000 sq. ft.

2.78 tonnes

(2013: 2.77 tonnes)

Construction waste segregated on site for recycling

94%

(2013: 95%)

Keeping people safe

There are inherent risks in construction, so maintaining stringent safety standards and a continuous focus on health and safety issues is paramount. Getting the basics right, good leadership, and commitment to health and safety from all levels of management delivers strong health and safety performance throughout our business.

Our Safety, Health and Environmental management system ('SHE') is subject to continuous review and improvement. All of our trading divisions are certified to OHSAS 18001 and adhere to our SHE guidelines with their ongoing compliance being verified by a programme of internal and external audits. During the year, we carried out 5,788 (2013: 5,437) monitoring visits and achieved an average compliance rate of 96% (2013: 97%).

Our overall aim is to have an injury free working environment, and whilst we believe that all injuries are avoidable, our objective for the year was to have a 5% reduction in our reportable Injury Incidence Rate ('IIR'). During the year, our IIR disappointingly increased by 15% to 379 (2013: 329) per 100,000 persons employed, which is slightly above the HBF (April 2013 – March 2014) average of 376. The housebuilding sector as a whole has seen an increase in IIR driven by the rapid increase in build rates and adverse winter weather conditions. We have investigated the causes of our IIR increase and have enhanced our procedures as a result. We have also appointed a Board Committee to improve the stewardship of health and safety performance.

At the NHBC 2014 Health and Safety Awards our site managers received six awards and Kirk Raine, site manager at our Webbs Meadow Development, won the best site award in the large builder category.

Being a trusted partner

We recognise that, whether acting as sole developer, JV partner, client or contractor, partnerships are vital to our success.

We continue to work with private landowners, operators and agents to identify and bring forward land for development. Divisional land teams continue to work hard to try and ensure we are regarded as the housebuilder of choice by the local landowning and agency community. Our work with Sainsbury's at Fulham Riverside and Nine Elms and with British Land at Aldgate show the benefits of this approach in securing large sites within London.

We form long term partnerships with the public sector and work to unlock challenging sites by finding solutions, sharing best practice and transferring knowledge. Our experience and expertise in regeneration is respected by our partners who have selected us to deliver a range of complex projects in the year including Cherry Knowle Hospital, Sunderland and Leatherhead Bypass, Surrey.

Derwenthorpe, York: After the success of phase one, phases two and three are now well underway, delivering 489 new homes.

During the financial year we delivered 2,255 affordable (2013: 2,268) completions, representing 15.9% (2013: 17.1%) of our completions (excluding JV's). Completions on public land represented 27.7% (2013: 29.2%) of our completions. We also have approved for purchase 3,913 plots (2013: 4,467 plots) on public land equating to 18.2% (2013: 24.1%) of our purchases in the year.

We are an active member of Delivery Partner Panel 2. We also lead the HCA's Marketing Stakeholder Group tasked with promoting the panel to public sector bodies to support the Government's ambition to unlock the delivery of up to 100,000 homes through the disposal of surplus public sites.

We also 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.

Building strong community relationships

We engage with local communities 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. 46% (2013: 35%) of our active developments have held a public consultation.

Safeguarding the environment

Our key areas of focus to help safeguard the environment are:

- Increasing the energy efficiency of the homes we build
- Seeking to enhance habitats, biodiversity and local environments across our developments
- Minimising our environmental impact

Increasing the energy efficiency of the homes we build

We are committed to delivering energy efficient homes that are both economically and environmentally sustainable, providing real benefits to our customers and the community. During the year, we have continued to develop the sustainability features of our homes and developments. We also continue to invest in research and development, to enable us to achieve the requirements of zero carbon homes from 2016. Our strategy for delivery remains 'Fabric First', minimising the need for complicated renewable technologies. 5,544 (2013: 4,277) of our completions during the year met Code for Sustainable Homes Level 3 or above.

During the year we have worked closely with our supply chain to deliver our solution to Part L of the Building Regulations in an efficient way whilst maximising the benefits to our customers through reduced energy bills. We have also installed water saving features in 67% (2013: 60%) of our homes during the year, which significantly reduce water consumption compared with older properties.

Blossom Bank on the banks of the River Medway in Tonbridge, Kent; a mix of houses and apartments with striking 'New England' style facades.

Perry Wood Oaks in Worcester offers two, three and four bedroom houses built on the grounds of a former hospital.

Enhancing habitats, biodiversity and local environments across our developments

During the year we built 63% (2013: 66%) of our homes on brownfield sites. Across our developments we seek where possible to protect existing environments or restore or create new biodiverse habitats. During the year within our developments, 611 (2013: 556) hectares of open space were created and 866,819 (2013: 310,923) trees or shrubs were planted or retained. We published an Ecology and Biodiversity Policy during the year, and made a commitment to produce biodiversity action plans on all new developments. We have now entered into a unique national partnership in our sector with the RSPB to develop a programme to improve practices in this area.

Minimising our environmental impact

We seek to minimise the environmental impact of our operations by using resources efficiently and reducing waste and carbon in our construction processes.

We segregate waste for recycling as standard across our sites and have achieved a recycling rate of 94% (2013: 95%) for the year. We narrowly missed our recycling target of 95% for the year and will continue to focus our efforts on identifying ways to ensure that we eliminate and reduce waste in FY15.

We generated 6.39 tonnes (2013: 6.25 tonnes) of waste per legal completion in the year, this is an increase of 2.2% compared to 2013, and we will re-focus our efforts on improving resource efficiency.

Our direct and indirect operational greenhouse gas emissions are shown in the table below. This is based on the energy used in our offices, on our live developments and for business travel and, for the first time this year, includes emissions from air conditioning in our offices.

Greenhouse gas emissions (Tonnes CO₂e^{1 2})

	2014	2013
Scope 1 emissions	17,315	16,287
Scope 2 emissions	14,053	13,035
Scope 3 emissions	8,981	6,874
Total	40,349³	36,196
Tonnes of emission per 1,000 sq. ft.	2.78	2.77

Our operational greenhouse gas emissions per 1,000 sq. ft. have increased very marginally this year, and we aim to analyse the causes of this increase and drive awareness and improved energy and greenhouse gas performance across our business.

Ensuring the financial health of our business

We are committed to ensuring the financial health of our business by ensuring that we maintain financial discipline across all aspects of our operations. All land purchases must meet our hurdle rates of 20% gross margin and 25% ROCE and be approved by the Land Committee. We maintain an appropriate capital structure, with land and long term work in progress funded by shareholders' funds and land creditors, and minimal net debt at our year end. At 30 June 2014, net cash was £73.1m (2013: £25.9m net debt) and land creditors were 33% (2013: 35%) of the owned land bank.

We have around £850m of committed bank facilities and private placement notes to June 2016 and £650m to May 2018 with some of these facilities extending as far as 2021. Our covenant package is appropriate and our facilities provide appropriate headroom above our current forecast requirements.


Mark Clare
Group Chief Executive


David Thomas
Group Finance Director

9 September 2014

- 1 Calculated using actual data sourced from invoices and direct data measurement. Carbon emissions calculated in line with DEFRA Environmental Reporting Guidelines including mandatory greenhouse gas emissions reporting guidance (dated June 2013) and Greenhouse Gas Protocol. Greenhouse gas (GHG) emission factors outlined in the DEFRA/DECC 'UK Government conversion factors for Company Reporting' Version 1 (2014). For further detail see our 2014 Sustainability Report.
- 2 Excludes Wilson Bowden Development site activities and managed properties.
- 3 Includes greenhouse gas emissions calculated for electricity transmission and distribution losses for the first time in 2014.

Risk management

Effective risk management is critical to the achievement of our strategic objectives. Risk management controls are integrated into all levels of our business and across all of our operations. We continually assess our exposure to risk and seek to ensure that risks are appropriately mitigated.

Roles and responsibilities

The Board is responsible for the overall stewardship of our system of risk management and internal control. It has established the level of risk that is appropriate for our business and acceptable in the pursuit of our strategic objectives and has set appropriate policies. It has also set delegated authority levels to provide the framework for assessing risks and ensuring that they are escalated to the appropriate levels of management, including up to the Board where appropriate, for consideration and approval.

The roles and responsibilities of the Board, its committees and all levels of management from a risk management perspective are summarised as follows:

1. Board	Board
	Audit Committee
	Nomination Committee
	Remuneration Committee
	Safety, Health and Environmental Committee
2. Group management	Executive Committee
	Operations Committee
	Health and Safety Committee
	Risk Committee
	Treasury Operating Committee
	Land Committee
3. Regional management	Regional management
4. Divisional management	Divisional management
5. Site management	Site management
Group support functions	Support functions
Internal audit and assurance	Internal audit
	Health and Safety
	Group architects

Responsibilities

- Strategic leadership
- Determining the level of risk acceptable, assessing key risks and seeking to ensure that they are appropriately managed and mitigated
- Setting delegated authority levels
- Approving policies and procedures
- Reviewing the effectiveness of internal controls, including systems to identify, assess and monitor risks
- Ensuring an appropriate balance of skills, knowledge and experience on the Board
- Ensuring the appropriate incentivisation of the Executive Directors and senior management
- Ensuring the stewardship of safety, health and environmental performance
- Monitoring 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
- Reviewing regional operating performance
- Reviewing the effectiveness of health and safety policies and establishing controls and procedures to manage these risks
- Consideration of identified risks and their mitigation
- Management of liquidity and counterparty risk and ensuring that treasury policies are implemented and embedded within the business
- Reviewing and authorising all proposed land acquisitions to manage land acquisition risk
- Responsible for risk identification, management and control within their region
- Ensuring that divisional risk management responsibilities are appropriately discharged
- Business planning to support strategic objectives
- Maintaining an effective system of risk management and internal control within their division
- Maintaining an effective system of risk management and internal control upon their site including construction risks, subcontractor risks and health and safety
- Providing guidance and advice to operational management to help with risk identification, quantification and mitigation, including customer care, health and safety, legal and regulatory requirements, product design and technical specifications, human resources, commercial, IT, land and planning, procurement, finance and insurance
- Independent review of the effectiveness of risk management and compliance with internal controls
- Reporting to the Audit Committee upon the effectiveness of key controls
- Reporting to the Audit Committee on whistleblowing
- Independent audit of health and safety procedures and controls on sites and within divisional offices
- Ensuring all properties are designed in accordance with relevant legislation (including carbon reduction and climate change) and best practice design

Actions undertaken

- 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
- Individual and collective site visits
- Review key areas of accounting judgement
- Receive regular reports on internal and external audit
- Biannually assess risk management and internal control systems
- Review the composition of the Board and consider succession planning
- Review the remuneration of the senior executives and the appropriateness of incentive schemes
- Committee established on 1 July 2014
- 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
- Review of regional performance, risks and mitigation plans
- Implement health and safety policies and procedures approved by the Board
- Review results of assurance activities
- Review risk action plans
- Implement treasury policies and procedures approved by the Board
- Review of land acquisition proposals and post-investment appraisals
- Review divisional performance including regular site visits with review and assessment of performance, risks and their mitigation
- Biannual review of divisional risk management and control self-certification
- 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
- Day-to-day management of their site
- Provide guidance, support and challenge for management including: regular customer satisfaction, financial, health and safety and operational 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
- 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
- Regular site audits
- Regular reports to Health and Safety Committee, Board, Executive and Operations Committees
- Attend divisional board meetings
- Regular site audits
- Approval process for non-standard properties

Principal risks and uncertainties

Our performance is subject to a number of risks, of which the principal risks and the changes impacting on them are set out in the table below. No new principal risks have emerged during the financial year.

Risk and description	Relevance to strategy	Mitigation	Changes in factors impacting on the risk in 2014
<p>Economic environment, including housing demand and mortgage availability</p> <p>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, may lead to a fall in the demand for houses, which in turn could result in impairments of the Group's inventories, goodwill and intangible assets.</p>	<p>The majority of homes built by the Group are purchased by individuals who rely on the availability of mortgages. The confidence of buyers and their ability to obtain mortgages or other forms of financing are impacted by the macroeconomic environment. Accordingly, customer demand is sensitive to changes in economic conditions.</p> <p>The Group's ability to grow its business partly depends on securing land or options over sites and having adequate resources to build sufficient homes to meet demand. The Group's ability to do this can be impacted by cash and profit constraints which, in turn, would have an adverse effect upon net operating assets and net debt (see also the liquidity, land and construction risks sections below).</p>	<ul style="list-style-type: none"> • Executive Committee, regional and divisional weekly reviews of trading performance and key performance indicators • Monthly Board report on trading performance and the economic environment, including mortgage affordability statistics • Internal systems identify the impact of sales price changes on margins • Quarterly site valuations and reviews • Half yearly asset impairment reviews • Comprehensive sales policies and procedures including transparency towards mortgage lenders • Head of Mortgage Lender Relations works with key mortgage lenders to seek to ensure that appropriate policies are available for customers 	<p>The growth in consumer confidence that started in early 2013 has continued throughout the financial year, against the backdrop of an improving economic outlook.</p> <p>We have also seen improvements in the underlying provision of mortgage finance.</p> <p>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. The Government has extended Help to Buy (Equity Loan) in England until 2020. Help to Buy in both Scotland and Wales ends in 2016. We expect Help to Buy to remain a very attractive opportunity for our customers, particularly first time buyers.</p> <p>pages 18 and 19</p>
<p>Land purchasing</p> <p>The ability to secure sufficient consented land at appropriate cost and quality to provide profitable growth.</p>	<p>The Group needs to purchase sufficient quantities of good quality, consented land at attractive prices in order to be in a position to achieve its annual construction forecasts and enhance the Group's ability to deliver profit growth.</p> <p>Acquiring poor quality or mispriced land would have an adverse impact on profitability and revenue.</p>	<ul style="list-style-type: none"> • All potential land acquisitions are subject to formal appraisal, approval by the Group's Land Committee and must meet minimum hurdle rates of 20% gross margin and 25% ROCE • Divisional, regional and Group monthly analysis of land currently owned, committed and identified against requirements • Regular divisional land meetings 	<p>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 particularly in London and the South East, with some location specific land price increases in these areas driven by competition and house price inflation.</p> <p>page 26</p>

Risk and description	Relevance to strategy	Mitigation	Changes in factors impacting on the risk in 2014
<p>Liquidity</p> <p>Unavailability of sufficient borrowing facilities to enable the servicing of liabilities (including pension funding) and the inability to refinance facilities as they fall due, obtain surety bonds, or comply with borrowing covenants. Furthermore, there are risks to management of working capital such as conditional contracts, build costs, joint ventures and the cash flows related to them.</p>	<p>The Group maintains committed facilities of different duration that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are cyclical during the financial year and peak around April/May and October/November each year. Due to our seasonal trends in income, these are the calendar points when the Group has the highest working capital requirements.</p> <p>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.</p>	<ul style="list-style-type: none"> • Committed bank facilities and private placement notes of around £850m with maturities ranging from 2016 to 2021 • Regular forecasts including working capital, cash flow facility headroom, surety bond requirements and compliance with banking covenants • Group policies require maintaining facility headroom of up to £150m 	<p>The Group is in compliance with its borrowing covenants and, at the date of approval of the 2014 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 approval.</p> <p>pages 35 and 102</p>
<p>Attracting and retaining high-calibre employees [▲]</p> <p>Inability to recruit and/or retain employees with appropriate skill sets or sufficient numbers of such employees.</p>	<p>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.</p> <p>Not having employees with appropriate skill sets can lead to build delays, quality issues, reduced sales, poor customer care and reduced profitability.</p>	<ul style="list-style-type: none"> • Comprehensive Human Resources programme led by the Group Human Resources Director including apprenticeship schemes, a graduate development programme, succession planning and training academies tailored to each discipline • Monthly monitoring of employee statistics including turnover and absence • Exit interviews • Annual employee engagement survey • Remuneration benchmarked against industry competitors 	<p>There continues to be high competition amongst employers in some regions, which has resulted in employee turnover increasing to 14% (2013: 13%). We have continued to invest in the training and development of our workforce in order to assist in both retention and succession planning.</p> <p>To help the Group address the skill shortage in the building industry, in 2013 we aspired to recruit 600 apprentices, graduates and trainees over a three year period. We have made rapid progress and aim to recruit around 1,100 apprentices, graduates and trainees over a three year period.</p> <p>page 31</p>
<p>Availability of raw materials, subcontractors and suppliers [▲]</p> <p>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.</p>	<p>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.</p>	<ul style="list-style-type: none"> • Centralised team led by the Group Procurement Director procures the majority of the Group's materials from within the UK including subcontractor materials, ensuring consistent quality and costs and security of supply • All of our significant supply agreements are fixed in advance, usually for 12 months • Seek to establish and maintain long term supplier and subcontractor partnerships • Group policies include tendering, the requirement for multiple suppliers for both labour contracts and material supplies and establish contingency plans should any key supplier fail • Professional approach to site management 	<p>During the year we saw some upward price pressure on materials, in particular for bricks and timber. A shortage of skilled labour did increase costs, with bricklaying the most affected area. However, these costs form a low proportion of our total cost base. Overall we have seen a low single digit increase in our build costs. Over the next twelve months we expect low single digit build cost inflation.</p> <p>During the year, we have invested in our materials forecasting systems to provide suppliers with visibility of our forecasted material requirements.</p> <p>We continue to renew our subcontractor and supplier agreements to ensure best pricing and the continuous availability of labour and materials.</p> <p>page 29</p>

Principal risks and uncertainties continued

Risk and description	Relevance to strategy	Mitigation	Changes in factors impacting on the risk in 2014
<p>Government regulation and planning policy [▲]</p> <p>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.</p>	<p>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.</p>	<ul style="list-style-type: none"> • Consultation with the Government both directly and through industry bodies to highlight potential issues • Considerable in-house technical and planning expertise devoted to complying with regulations and achieving implementable planning consents • Rigorous design standards for the homes and places we develop • Policies and technical guidance manuals for employees on regulatory compliance and the standards of business conduct expected 	<p>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.</p> <p>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 the Group's divisions.</p> <p>Nevertheless the planning process remains a lengthy one and on average it takes the Group around 70 weeks from commencing formal pre-application process to achieving planning consent. The length of the planning process will remain a restriction on the speed at which housing supply can increase.</p> <p>Since 1 January 2014, all new developments designed are required to meet with the Building for Life 12 development standard.</p>
<p>Construction and new technologies [▲]</p> <p>Failure to identify and achieve key construction milestones, due to factors including the impact of adverse weather conditions, the failure to identify cost overruns promptly, design and construction defects, and exposure to environmental liabilities, which could delay construction, increase costs, reduce selling prices and result in litigation and uninsured losses. 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.</p>	<p>The Group builds homes and communities in Britain ranging from houses to large-scale flatted developments. In the event we did not do so efficiently, or new technologies result in quality issues, the Group's profitability and ability to grow the business could be impacted negatively.</p>	<ul style="list-style-type: none"> • Executive Committee, regional and divisional weekly reviews of trading performance and key performance indicators • Progress with development projects (including joint ventures and consortia) is monitored regularly by divisional management teams, including through monthly board meetings and regular site visits • Any alternative forms of construction and building technologies and the quality of materials are subject to evaluation by external and internal technical experts, including the NHBC, to ensure compliance with all building and other regulations • Quarterly site valuations and valuation reviews • Monitoring of environmental impact indicators • Maintenance of appropriate insurance cover 	<p>The Group is currently undertaking an assessment of various modern methods of offsite construction and considering their suitability for utilisation within the business to reduce the risks inherent in the construction process.</p> <p>pages 28 to 30</p>

Risk and description	Relevance to strategy	Mitigation	Changes in factors impacting on the risk in 2014
<p>Joint ventures and consortia</p> <p>Large development projects, some of which involve joint ventures or consortia arrangements and/or commercial developments, are complex and capital intensive and changes may negatively impact upon cash flows or returns.</p>	<p>Due to their scale, some projects may require joint venture or consortium arrangements. Failure of a joint venture or consortium partner to perform its financial and/or operational obligations can place additional capital or operational burdens upon the Group.</p>	<ul style="list-style-type: none"> All potential joint ventures are subject to formal appraisal, approval by the Group's Land Committee and the Board Once operational, the performance of joint ventures and consortia arrangements are subject to regular operational and financial review 	<p>During the year, the Group has entered into a number of new joint ventures.</p> <p>A five year revolving credit facility of £120m has been arranged during the year for the Group's joint ventures with L&Q. This facility is available to the joint ventures for land and build expenditure, although the joint ventures continue to be primarily equity funded by Barratt and L&Q.</p> <p>page 21</p>
<p>Safety, health and environmental [▲]</p> <p>Health and safety or environmental breaches can result in injuries to employees, subcontractors and site visitors, delays in construction or increased costs, reputational damage, criminal prosecution and civil litigation.</p>	<p>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.</p> <p>In addition to the possibly tragic impact of an accident on-site, there is potential for legal proceedings, financial penalties, reputational damage and delays to the site's progress.</p>	<ul style="list-style-type: none"> Health and safety department, independent of the management of the operating divisions Regular health and safety audits and development monitoring visits with reports produced for divisional, regional, Health and Safety Committee, Executive Committee and Board review Group health and safety and environmental policies and procedures 	<p>During the year, the Group's construction activity has increased. The Group has enhanced in its Health and Safety team to retain the frequency of the audit and monitoring of developments.</p> <p>The Group has also continued to develop and enhance its Safety, Health and Environmental systems and has established a Board Safety, Health and Environmental Committee.</p> <p>page 33</p>
<p>IT</p> <p>Failure of the Group's IT systems (whether due to cyber attacks or other causes) in particular those relating to surveying and valuation, could adversely impact the performance of the Group.</p>	<p>The ability to optimise prices and ensure operational efficiency is essential to the Group's performance. The Group's integrated management systems enable the Group to maintain tight control, especially with regard to surveying and valuation.</p> <p>Adverse IT performance could cause delays in build and have an adverse impact on operational efficiency and profit.</p>	<ul style="list-style-type: none"> Centrally maintained IT systems Fully-tested disaster recovery programme Regular exercises completed to seek to reduce the risk of penetration through cyber attacks 	<p>The Group has continued to invest in its site based IT for sales and construction teams, customer websites, business systems and IT infrastructure.</p> <p>page 24</p>

▲ Sustainability risks are explored in more detail in our 2014 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 27 to the Financial Statements. Details of the Group's contingent liabilities are provided in note 35 to the Financial Statements.

The Strategic Report on pages 2 to 41 was approved by the Board on 9 September 2014 and is signed on its behalf by:


Mark Clare
 Group Chief Executive


David Thomas
 Group Finance Director

Chairman's Introduction

Dear Shareholder

I am pleased to provide you with an update on the Company's approach to corporate governance throughout the 2013/14 financial year. This will be my last corporate governance statement for the Company as I have decided, after six years' of service, to step down from my position as Chairman of the Board following the annual general meeting in November 2014 ('2014 AGM'). Details of my successor, John Allan CBE, and the process we followed to recruit him can be found below and in the Nomination Committee Report.

Over the last six years I have been privileged to have worked with a group of Directors who, through the Board and its Committees, have rebuilt the Company from the impact of the 2008 downturn. This year, we have once again delivered on our strategic objectives and the Board will continue to focus on delivering sustainable shareholder value.

I can confirm that during the financial year ended 30 June 2014 your Company fully complied with the main and supporting principles of the UK Corporate Governance Code (the 'Code') issued in September 2012 (a copy of which is available from www.frc.org.uk) and with the revised requirements for the Directors' and Remuneration Reports, which formally apply this year. The Board appreciates that good corporate governance is more than just awareness and adherence to the Code. It is aware of the need to maintain a high standard of corporate governance in terms of leadership, remuneration, accountability and its relationship with shareholders and in setting the right tone at the top. I have, on the following pages, set out the work undertaken by the Board and its Committees to illustrate how corporate governance is embedded in our culture, processes and decision making throughout the whole business and how we have applied the Main Principles of the Code throughout the year.

Appointment and succession

During the year, the key focus of the Nomination Committee was my succession planning. This process was led by our Senior Independent Director, Mark Rolfe. As announced on 11 March 2014, John Allan joined our Board as a Non-Executive Director and Chairman Designate on 1 August 2014, and subject to election by shareholders, he will succeed me as Chairman following the 2014 AGM. Details of John's experience and skills can be found on page 44 of this report.

Board effectiveness

During the year we addressed all of the recommendations made by Mrs Ffion Hague of Independent Board Evaluation following her effectiveness review in respect of the 2012/13 financial year. We have assessed the performance of our Board and its Committees during the year under review through a series of individual Director and external adviser assessments. This process was led by me with support from the Group General Counsel and Company Secretary. The results of the review and the key areas of focus for the 2014/15 financial year are set out on page 49 of this report.

Diversity

We continue to promote diversity amongst our workforce. The Group Chief Executive and Human Resources Director provided a presentation upon our approach to this process at our strategic away day and a follow-up exercise was undertaken at the April Board meeting. Further details on our Diversity policy can be found on page 55 of this report.

Risk management and internal controls

Given the risks inherent with building and construction, the awareness of risk amongst Directors remains high. Board members are fully aware of the individual and collective responsibility of the Board to: (i) determine the nature and extent of the risks the Board is willing to take to achieve the Company's strategic corporate objectives; and (ii) to review the effectiveness of the risk management systems and internal controls (in conjunction with the Audit Committee). The commentary on the management of risk and the review of principal risks and uncertainties on pages 38 to 41 contains an analysis of how the risks affecting the Group have changed in the financial year. We have also enhanced the focus upon the critical importance of seeking continuous improvement in our health and safety performance. Accordingly, with effect from 1 July 2014 we constituted a Safety, Health and Environmental Board Committee, chaired by Richard Akers, to assist the Board with discharging its responsibilities in this area moving forward.

Shareholder engagement

As a Board we remain focused on delivering long term value to our shareholders, whilst ensuring that we continue to promote sustainable developments and homes. Accordingly, we place continuing importance upon maintaining strong relationships with our shareholders. We achieve this through regular dialogue on key issues impacting our business, as well as annually consulting with major shareholders in respect of our remuneration policy and during the year in response to our interim management statements and results announcements.

Fair, balanced and understandable

During the year, the Board and its Committees completed implementation of the changes to the Code in the context of our Governance practices. One of these changes is the requirement for Directors to make a statement that they consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable. As part of our considerations, we reflected upon the feedback shareholders provided in respect of our 2012/13 Annual Report and Accounts (and the Remuneration Policy contained in it) and an appropriate timetable was established and followed to provide appropriate time for review and discussion on significant areas of the 2013/14 Annual Report and Accounts. The Audit Committee then met to: (i) consider all the criteria for a fair, balanced and understandable Annual Report and Accounts; (ii) review the processes underpinning the compilation and assurance of the report, in relation to the financial and non-financial management information; and (iii) review the internal processes underpinning the Group's reporting governance framework, the use of content owners and external legal and auditor review.

Following the review by the Audit Committee, the Board then considered the Annual Report and Accounts as a whole and discussed the tone, balance and language of the documentation, being mindful of the new Code requirements and the need for consistency between the narrative section and the Financial Statements. The Board's formal statement on the Annual Report and Accounts is contained within the Directors' Responsibility Statement on page 92.

Conclusion

Our strategy has delivered. I am delighted that we have been able to announce a medium term Capital Return Plan supplementing our ordinary dividend payments with a special cash payment programme.

Looking forward, the Directors will continue to focus on delivering sustainable shareholder value. The Group's business model and strategy to achieve this are set out in the Strategic Report on pages 2 to 41.



Bob Lawson
Chairman

9 September 2014

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 the Senior Independent Director of United Utilities Group PLC, a member of the Government's Construction Council and is a Trustee of the Building Research Establishment Trust and the UK Green Building Council. He also sits on the CBI Construction Council.

Previous experience:

Mark was formerly an Executive Director of Centrica plc (1997-2006). 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.

John Allan
Non-Executive Director

Appointment to the Board:

John joined the Board as a Non-Executive Director on 1 August 2014.

Committee membership:

Member of the Audit and Remuneration Committees.

External appointments:

John is currently the Deputy Chairman of Dixons Carphone plc and a Non-Executive Director of Royal Mail plc. He is also Chairman of Worldpay and the DHL UK Foundation, a senior adviser to Alix Partners and a regent of the University of Edinburgh.

Previous experience:

John was the Chairman of Dixons Retail plc for five years until August 2014 when it merged with Carphone Warehouse Group public limited company to form Dixons Carphone plc. He was also the Chief Executive of Exel plc for several years, and following its acquisition by Deutsche Post, became Chief Financial Officer, retiring in 2009. John was also a Non-Executive Director of National Grid plc (2005-2011) and 3i plc (2009-2011) and of various other public companies in the UK, Germany and Denmark.

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 British Institute of Florence and a Trustee 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 at O2 UK, Telefonica.

Previous experience:

Nina was the Global Chief Marketing Officer at Barclaycard, the payments subsidiary of Barclays plc until 30 May 2013. Prior to Barclaycard, Nina was SVP Global Brand Management at InterContinental Hotels Group plc (2006-2009) and worked at Diageo (1997-2006), latterly as Commercial Strategy Director.

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.

Committee membership:

Member of the Safety, Health and Environmental Committee with effect from 1 July 2014.

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 Debenhams plc. He is also the Chairman of Lane Clark & Peacock LLP, a role from which he is due to step down in October 2014.

Previous experience:

Mark was formerly Non-Executive Director of The Sage Group plc (2007-2013) and Hornby plc (2008-2014) and was 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 and the Safety, Health and Environmental (from 1 July 2014) Committees and a member of the Audit and Nomination Committees.

External appointments:

Richard is a Member of the Advisory Board for Battersea Power Station Development and Fellow of the Royal Institution of Chartered Surveyors.

Previous experience:

Richard was a senior executive of Land Securities Group plc (1995-2014), succeeding to the main Board in May 2005 following his appointment as Managing Director of the Retail Portfolio and 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.

Committee membership:

Member of the Safety, Health and Environmental Committee with effect from 1 July 2014.

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 Report

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 their responsibilities, individually and collectively, to promote the long term success of the Group.

Board composition

The names, responsibilities and other details of each of the Board Directors are set out on pages 44 and 45. Membership of the Board throughout the financial year and attendance at each of its meetings are set out in Table 1. John Allan joined the Board as a Non-Executive Director and Chairman Designate on 1 August 2014.

Table 1 – Membership and attendance at Board meetings

Member	Role	Number of meetings attended
Bob Lawson	Chairman	9/9
Mark Clare	Group Chief Executive	9/9
David Thomas	Group Finance Director	9/9
Steven Boyes	Group Chief Operating Officer	9/9
Richard Akers	Non-Executive Director	9/9
Tessa Bamford	Non-Executive Director	9/9
Nina Bibby	Non-Executive Director	9/9
Rod MacEachrane*	Non-Executive Director	3/3
Mark Rolfe	Senior Independent Director	9/9

* Rod MacEachrane stepped down from his position as Non-Executive Director of the Company on 13 November 2013.

Note:

9/ Number of meetings attended whilst a Director.

/9 Number of meetings held whilst a Director.

Key responsibilities and activities undertaken during the financial year (including Matters Reserved):
The Board follows an annual standing agenda which has been set in accordance with its terms of reference and matters reserved specifically to it. A copy of the matters reserved to the Board can be found on the Company's

website at www.barrattdevelopments.co.uk. The Board met on nine occasions during the financial year to review and approve various key matters including those matters specifically reserved to it. The key responsibilities of the Board and how these were undertaken throughout the year are set out below:

Key responsibilities	Activities undertaken during the year
Strategy and management	<ul style="list-style-type: none"> off-site strategic review of the Group's business – including the performance of the Group against the strategy, objectives, the business plan and budgets, the long term strategy and objectives of the Group as well as the Group's three-year plan and budget; considered and approved various material land investments/transactions including joint ventures; and reviewed the Group's safety, health and environmental performance throughout the business.
Financial reporting and controls	<ul style="list-style-type: none"> reviewed and approved: <ul style="list-style-type: none"> the final results and the Interim Financial Statements; the Group's dividend policy to ensure it remains fit for purpose; the payment of an interim and recommendation of a final dividend; and changes to accounting policies and controls.
Risk management and internal controls	<ul style="list-style-type: none"> reviewed the principal risks and uncertainties affecting the business; and reviewed the work undertaken by the Risk and the Audit Committees in this area in order to ensure that a sound system of internal control and risk management is maintained.
Board composition and effectiveness	<ul style="list-style-type: none"> led by the Chairman, undertook an internal performance evaluation of itself, its Committees and each of the Directors; considered and approved recommendations from the Nomination Committee to re-appoint Mark Rolfe as Senior Independent Director for a further three-year term; and met with the candidates short-listed as successors to the Chairman and ultimately approved the appointment of John Allan as a Non-Executive Director and successor designate to the Chairman.
Directors' remuneration	<ul style="list-style-type: none"> approved the remuneration policy for Executive Directors and Senior Management following recommendations from the Remuneration Committee; reviewed the Company's funding of the Group's pension scheme; reviewed and approved the fees of the Non-Executive Directors including John Allan; and approved the grant and vesting/maturity of awards and options under the Group's long term incentive schemes and Sharesave.
Corporate governance	<ul style="list-style-type: none"> reviewed the Group's adherence to the Code; and assessed and confirmed the independence of Directors.
Group policies	<ul style="list-style-type: none"> reviewed core Group policies relating to matters such as health & safety, ethics and anti-bribery, accounting policies and procedures to ensure that they remain fit for purpose.

In addition to a formal strategic review, the Board held meetings in, and conducted site visits in, the West and the Southern regions of the business for periods spanning two days each. Separate to these formal visits, individual Non-Executive Directors also undertook informal site visits as part of their direct engagement with employees. The Board also receives briefings from Regional Managing Directors who are not hosting annual site visits from time to time, together with presentations and updates from key support functions, such as health and safety, human resources, information technology and sales and marketing. This has assisted 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

During the year the Board had three principal committees to which it delegated specific responsibilities: the Audit (pages 56 to 61); the Remuneration (pages 62 to 86); and the Nomination (pages 52 to 55) 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 2013/14 financial year are shown in Tables 4, 17 and 3 (pages 56, 82 and 52 respectively). Each of these Committees (and the Board) completed annual effectiveness reviews (see pages 61, 83, 53 and 49).

The Board constituted a fourth committee, the Safety, Health and Environmental Committee (the 'SHE Committee') on 1 July 2014 which will meet at least twice a year. The SHE Committee will assist stewardship of the safety, health and environmental issues impacting the business including, but not limited to, the Group's compliance with the safety, health and environmental management system; to review and recommend appropriate policies for the Group in respect of this area; and to review and monitor significant health, safety and environmental risks and exposures to the business and the steps taken to mitigate against these. The Chairman of the SHE Committee is Richard Akers, Non-Executive Director and the members are Steven Boyes, Group Chief Operating Officer and Tom Keevil, Group General Counsel and Company Secretary.

Corporate Governance Report continued

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 together with their membership and responsibilities 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 Health and Safety Operations 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 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 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 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 Land Committee

Meets on a weekly basis.

Members:

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

Other employees of the Group, such as the Group Joint 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 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.

Board performance evaluation

The Board is responsible for undertaking a formal and rigorous annual evaluation of its own performance, that of its Committees and of individual Directors. Given that an external consultant undertook the performance evaluation of the Board and its Committees for the 2012/13 financial year, the Board agreed to carry out such evaluation for the year under review through an internal process which was led by the Chairman.

Areas covered by the evaluation

The Board evaluation process 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

Overall feedback was positive with the Directors recognising that the performance and effectiveness of the Board had been further enhanced by implementing the recommendations made by Mrs Fion Hague of Independent Board Evaluation in respect of the previous financial year. In addition, the Directors complimented the strategy day in January in terms of subject matters addressed and the quality of the briefing papers produced.

Focus areas for 2014/15

The key areas that the Board will focus on and address throughout this financial year are to ensure that:

- the disciplines enshrined into the Board process are maintained;
- focus remains on the Board and the Committees maintaining satisfactory skills, experience and knowledge to help deliver the Company's long term strategy and objectives; and
- succession plans continue to be monitored and refreshed in line with the needs of the business.

Progress with 2012/13 focus areas

During the year the Board and its Committees addressed all the issues raised as part of the 2012/13 performance evaluation process, including setting aside time at each meeting to consider its effectiveness and the streamlining of briefing papers and presentations to the Board.

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. In addition to these specific meetings the Non-Executive Directors also meet without the Executive Directors being present either immediately prior to or immediately following committee meetings, given that they are all members of each of these.

Roles of the Chairman, the Group Chief Executive and the 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 key responsibilities of the Chairman, the Group Chief Executive and the Senior Independent Director are as follows:

The Chairman – Bob Lawson

- leads the Board in the determination of strategy and in the achievement of its objectives;
- organises the business of the Board by setting its agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- ensures that the Board receives timely, accurate and clear information so as to conduct its business properly;
- facilitates the effective contribution of the Non-Executive Directors and constructive relations between Executive and Non-Executive Directors;
- ensures new Directors participate in a full and formal induction process;
- makes certain that the continued development needs of the Directors are identified and addressed; and
- ensures effective communication with shareholders.

The Chairman is supported by Tom Keevil, the Group General Counsel and Company Secretary, in carrying out these duties.

The Group Chief Executive – Mark Clare

- 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; and
- chairs the Executive Committee through which he carries out his duties. Details on the membership and duties of the Executive Committee can be found on page 48 of this report.

The Senior Independent Director – Mark Rolfe

- responsible for evaluating the performance of the Chairman, at least annually; and
- 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.

Corporate Governance Report continued

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 and diversity

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

(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. This is mainly done through the Group's intranet, 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 number of programmes for new entrants through our 'Future Talent Strategy'. The Group currently has 86 graduates across our two-year and one-year schemes, 64 of which commenced their training in September 2014. In addition, 64 delegates have commenced our new bespoke Foundation Degree in Residential Development and Construction. We are currently training 332 Trade Apprentices, 34 Commercial and Technical Trainees and 21 undergraduate paid interns. Over a three year period, we have committed to recruit in aggregate 1,100 graduates, apprentices and trainees.

(v) Employee training and development

The Group has 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 as well as within the areas of Technical, Commercial and Sales. Succession planning is in place across the Group and the leadership programmes assist with the development of individuals as part of this process.

(vi) Employee Sharesave Scheme

In April 2014 the Company invited all eligible employees of the Group to participate in the sixth grant under the Savings Related Share Option Scheme (the '2014 Sharesave') which was approved by shareholders at the Company's annual general meeting ('AGM') held in November 2008. The invitations for the 2014 Sharesave were deferred until the current financial year to allow eligible employees to take full advantage of the changes introduced by HMRC to the maximum monthly savings limit. Consequently, the Company allowed eligible employees to contribute a maximum of £500 per month in one or a combination of Sharesave schemes, compared to the £250 per month permitted in previous years. This gave those individuals who had participated in previous grants under the Sharesave the opportunity to increase their savings and gave other employees (new and existing) the chance to participate in the 2014 Sharesave and become more involved in the Group's performance. As at 30 June 2014, approximately 45% of employees participate in one or more of the active Sharesave schemes.

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 the 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 throughout 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.

During the year, the Chairman of the Remuneration Committee consulted with major investors and the principal investor advisory groups, on the proposed remuneration policy of the Group for the 2014/15 financial year and the following two years which will be presented to shareholders at the 2014 AGM. He also communicated separately with them on the key matters considered by the Committee and how the remuneration policy has been applied during the year.

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 and reports are received from the Company's broker.

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.

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 2014 the persons set out in Table 2 have notified the Company, pursuant to DTR 5.1, of their interests in the voting rights in the Company's issued share capital.

Table 2 – Notifiable Interests

Name	Number of voting rights ¹	% of total issued share capital when notified ²	% of total issued share capital as at 30.06.2014 ³	Nature of holding
FMR LLC	34,579,199	8.24	3.51	Indirect
Capital Research and Management Company	50,235,000	5.104	5.10	Indirect
JP Morgan Chase & Co	17,286,656	4.98	1.76	Indirect
Standard Life Investments Ltd	47,711,714	4.94	4.84	Direct & Indirect
Ruffer LLP	46,887,233	4.80	4.76	Direct
Polaris Capital Management LLC	34,606,679	3.59	3.51	Indirect

¹ 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.

² Based on the Total Voting Rights as at the relevant notification dates.

³ Based on the Total Voting Rights as at 30 June 2014 (as announced on 1 July 2014) 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 2014 and 9 September 2014 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 1 September 2014, are 985,105,849.

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 a special resolution at a general meeting.

On behalf of the Board



Tom Keevil
Group General Counsel and Company Secretary

9 September 2014

Nomination Committee Report

Letter from the Chairman of the Nomination Committee

Dear Shareholder

I am pleased to present the report of the Nomination Committee. The key areas of focus during the year were:

Board changes

Rod MacEachrane stepped down from his position as a Non-Executive Director at the 2013 AGM having served nearly eight years on the Board. The Nomination Committee reviewed the skills set and experience of each of the Non-Executive Directors and was satisfied that the composition of the Board remained satisfactory and balanced given the diverse range of skills, experience and background of the Non-Executive Directors to drive the Group'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.

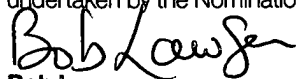
Chairman succession

The Nomination Committee, led by the Senior Independent Director, Mark Rolfe, facilitated the search for a suitable candidate to replace me as the Chairman of the Board. As is required by the Code, I did not attend any meetings or parts of meetings which related to my succession. The Nomination Committee engaged the services of the Zygos Partnership ('Zygos') to assist in this recruitment process and details can be found on pages 53 and 54 of this report.

Performance evaluation

The Nomination Committee undertook an internal review of its effectiveness this year, given that an external review was undertaken by Independent Board Evaluation last year. During the year the Nomination Committee progressed the recommendations arising from the previous evaluation and details of this and the outcomes of this year's review can be found on page 53.

The following pages provide further detail on the work undertaken by the Nomination Committee throughout the year.



Bob Lawson

Chairman of the Nomination Committee

9 September 2014

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 3. John Allan became a member of the Nomination Committee on 1 August 2014 following his appointment to the Board on the same date. 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 3 – Membership and attendance at Nomination Committee meetings

Member	Role	Number of meetings attended
Bob Lawson ¹	Chairman	2/4
Richard Akers	Member	4/4
Tessa Bamford	Member	4/4
Nina Bibby	Member	4/4
Mark Clare	Member	4/4
Rod MacEachrane ²	Member	2/2
Mark Rolfe	Member	4/4

1 Bob Lawson excused himself from all meetings (or parts thereof) where his own succession was being considered.

2 Rod MacEachrane ceased to be a member of the Nomination Committee on 13 November 2013 when he stepped down from his position as a Non-Executive Director.

Note:

4/ Number of meetings attended whilst a Director.

/4 Number of meetings held whilst a Director.

Key responsibilities and activities undertaken during the financial year

The Nomination Committee met on four occasions to fulfill its key responsibilities as set out in its terms of reference, a copy of which can be found on the Company's website www.barrattdevelopments.co.uk. The activities undertaken by the Nomination Committee during the year are summarised below:

Key responsibilities	Activities undertaken during the year
Succession planning	<ul style="list-style-type: none"> reviewed the succession plans in place for each of the Directors (including the Chairman and the Senior Independent Director) and senior management to ensure that they remain satisfactory to meet the needs of the business.
Board balance, independence, composition and effectiveness	<ul style="list-style-type: none"> reviewed the structure, size and composition of the Board, having regard to the Board's balance of skills, experience, independence and knowledge, particularly following Rod MacEachrane's retirement at the 2013 AGM and the announcement of the Chairman's intention to step down at the conclusion of the 2014 AGM; considered and reviewed the other commitments of each of the Directors (excluding the Chairman) and confirmed their continued independence; and implemented the recommendations arising from the performance evaluation review undertaken by Mrs Fion Hague of Independent Board Evaluation last year and undertook an internal performance evaluation of itself and its members. The overall results were positive, particularly in respect of the process followed to recruit a new Chairman, the skills within the Nomination Committee and the resources available to it to fulfil its work plan. The key areas of focus were to monitor and refresh succession plans in line with the requirements of the business.
Appointment and re-appointment of Directors	<ul style="list-style-type: none"> appointed Zygos to assist with the recruitment of a new Chairman; met with potential candidates put forward as the Chairman's successor and recommended a short list of candidates to the Board; considered and recommended to the Board the appointment of John Allan as Non-Executive Director and Chairman Designate with effect from 1 August 2014 and as Chairman of the Board immediately following the conclusion of the 2014 AGM; and reviewed the skills, time commitment and tenure of each of the Non-Executive Directors and recommended the re-appointment of Mark Rolfe as Senior Independent Director for a further three-year term.
Conflicts of interest	<ul style="list-style-type: none"> recommended to the Board the re-authorisation of conflicts of interest of existing Directors. There were no situations notified by John Allan as potential conflicts of interest on his appointment. Such recommendations were unanimously endorsed by the Board.

Board balance

At the end of the financial year, the Board comprised eight members, including the Chairman, four Non-Executive Directors and three Executive Directors. The Nomination Committee regularly reviews the balance of the Board and makes recommendations to the Board as and when necessary. Currently, 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'.

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 and commercial experience and diverse backgrounds. The Non-Executive Directors are also able constructively to 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 John Allan as at the date of his appointment, 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 13 on page 79 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.

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.

Nomination Committee Report continued

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, led by the Senior Independent Director, undertook a process to identify a suitable candidate to take over as Chairman from Bob Lawson when he steps down in November 2014. Four leading firms were invited to tender for the appointment and advise the Committee. Zygos, an independent recruitment firm, was duly appointed and prepared a long list (including candidates of both genders). The Nomination Committee then proceeded to arrive at a shortlist and after interviews unanimously concluded that John Allan was the most appropriate candidate.

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 2014 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 they are able to allocate the time commitment required at the time of their 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 2014 AGM (with the exception of Bob Lawson (see above)) 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 44 and 45 of this report and in the Notice of the 2014 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 71.

The Board recommends that shareholders approve the resolutions to be put forward at the 2014 AGM relating to the election and re-election of Directors.

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. John Allan took part in this process which included health and safety training, site visits, meetings with all Board members, key external advisers and senior and operational management teams across the business. John was also provided with an induction pack containing general and specific information relating to his role such as a schedule of meetings, copies of Board minutes and various policies and procedures, details of his duties as a director of a listed plc and other obligations under the various regulations governing the Company.

Development

In January of each year the Board meets for a full day to review and develop the overall business strategy of the Group which includes presentations from senior management within the Group as well as external professionals. In January 2014 the Board discussed the Group's growth plans and a number of strategic issues including mortgage availability, customer demand, innovative methods of off-site construction, attracting and retaining high quality employees (in the context of enhancing diversity at all levels), 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, the 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 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 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.

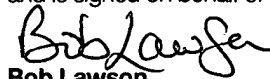
Board gender diversity policy

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. Accordingly, the Board will continue to work with recruitment search consultants but, moving forward, will only use those that have adopted a voluntary code of conduct addressing gender diversity. The Board has agreed not to impose a quota regarding gender balance, although 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. A copy of this policy can be found on the Company's website www.barrattdevelopments.co.uk.

As at 30 June 2014, the aggregate representation of women on the Board was 25% (two out of eight directors and one-third of the Non-Executive Directors (including the Chairman)). Diversity within the Group's workforce is considered within the Strategic Report on page 32.

This report forms part of the Corporate Governance Report and is signed on behalf of the Nomination Committee by:



Bob Lawson

Chairman of the Nomination Committee

9 September 2014

Audit Committee Report

Letter from the Chairman of the Audit Committee

Dear Shareholder

I am pleased to present the Audit Committee report for the financial year ended 30 June 2014. The Audit Committee is responsible for monitoring the effectiveness of the Group's financial reporting and its systems of internal control and risk management.

During the financial year the Audit Committee has focused upon four key areas. First, it considered the Group's key risks and risk management systems and controls, including how policies on internal controls and risk management are cascaded throughout the business and the risk of cyber threat to the Group. Secondly, it reviewed and challenged the accounting judgements being used in the preparation of the Group's Financial Statements, especially those in relation to going concern, the land and work in progress valuation, the valuation of available for sale financial assets and the goodwill and intangible assets impairment review. Thirdly, it assessed the effectiveness of the Group's Internal Audit Function and the External Auditor, including their independence, objectivity and tenure based upon a review of their respective engagements during the financial year. Finally, it considered the Group's Annual Report and Accounts and concluded that they are fair, balanced and understandable, following the completion of a detailed review.

In order to provide the Audit Committee with an appropriate mix of skills and experience, including financial expertise, all Non-Executive Directors now sit on the Audit Committee and membership throughout the financial year is shown in Table 4. 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.

Table 4 – Membership and attendance at Audit Committee meetings

Member	Role	Number of meetings attended
Mark Rolfe	Chairman	4/4
Richard Akers	Member	4/4
Tessa Bamford	Member	4/4
Nina Bibby	Member	4/4
Rod MacEachrane*	Member	2/2

* Rod MacEachrane ceased to be a member of the Audit Committee on 13 November 2013 when he stepped down from his position as a Non-Executive Director.

Note:

4/ Number of meetings attended whilst a Director.

/4 Number of meetings held whilst a Director.

The Audit Committee met on four 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 LLP 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. After each meeting, I have reported to the Board upon the main matters discussed in order to ensure that all Directors are informed of the Audit Committee's work. The following section details the work undertaken by the Audit Committee in respect of the financial year under review.



Mark Rolfe
Chairman of the Audit Committee

9 September 2014

Key responsibilities and activities undertaken during the 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 key activities in respect of the financial year:

Key responsibilities	Activities undertaken during the year
Going concern	<ul style="list-style-type: none"> • assessed the Group's available facilities, headroom and banking covenants; • reviewed management's detailed analysis, which included forecasts and scenarios considering potential downturns in the housing market; and • satisfied itself, and subsequently the Board, that the going concern basis of preparation continues to be appropriate in the context of the Group's funding and liquidity position. <p><i>Further details upon the Group's going concern assessment can be found on pages 91 and 102.</i></p>
Integrity of financial reporting	<ul style="list-style-type: none"> • 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 and took into account the views of Deloitte LLP: <ul style="list-style-type: none"> 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. Detail upon the judgements in this area are explained within the Critical Accounting Judgements and Key Sources of Estimation Uncertainty on page 111. The Audit Committee agreed with the judgements made by management and concluded that the valuation of our land and WIP remains appropriate. ii) 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. Detail upon the judgements in this area are explained within the Critical Accounting Judgements and Key Sources of Estimation Uncertainty on page 111 and in note 17 on page 125. The Audit Committee agreed with the judgements made by management and concluded that the valuation of our available for sale financial assets remains appropriate. iii) Annual goodwill and intangible assets impairment review The Audit Committee considered the judgements made in relation to the valuation methodology adopted by management and the model inputs used. Detail upon the judgements in this area are explained within the Critical Accounting Judgements and Key Sources of Estimation Uncertainty on page 112. The Audit Committee also reviewed and approved sensitivities used by management which were consistent with the 2012/13 financial year and 'a reasonably possible' change to model inputs including related disclosure, as required by IAS 36. The Audit Committee agreed with the judgements made by management and concluded that no impairment of goodwill or intangible assets was required. iv) Fair, balanced and understandable The Audit Committee reflected upon the feedback provided by shareholders in respect of our 2012/13 Annual Report and Accounts (including the Remuneration Report), the interim management statement and the half year results and the regular updates the Board received throughout the year, and received an early draft of the 2014 Annual Report and Accounts to allow itself sufficient time to review the disclosures therein. The Audit Committee also received a report from the Group General Counsel and Company Secretary which confirmed that: (i) the Annual Report and Accounts had been reviewed by the Group Executive Directors; and (ii) the Company had received confirmation from its external advisers and separately its auditor, Deloitte LLP, that the Annual Report and Accounts adhered to the requirements of the Code and relevant rules and regulations. The Audit Committee then assessed, at its September meeting, whether the Annual Report and Accounts were fair, balanced and understandable, reviewed the processes underpinning the compilation and assurance of the Annual Report and Accounts, in relation to the financial and non-financial management information and reviewed the internal processes underpinning the Group's reporting governance framework, the use of content owners and external legal and auditor review. The Board's formal statement on the Annual Report and Accounts is contained within the Directors' Responsibility Statement on page 92.

Audit Committee Report continued

Key responsibilities	Activities undertaken during the year
The effectiveness of internal controls and the risk management process	<p>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.</p> <p>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.</p> <p>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.</p> <p>The Audit Committee plays a vital role in managing the effectiveness of internal controls and the risk management process on behalf of the Board and accordingly, during the year it:</p> <ul style="list-style-type: none"> • 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, on behalf of the Board, and confirmed that the risk management and internal control systems had been in place throughout the year ended 30 June 2014 and that they and their effectiveness accord with Turnbull guidance; • provided regular reports to the Board in respect of its findings on the effectiveness of internal controls and risk management process, in order to assist the Board to conclude and confirm that, in accordance with principle C.2 of the Code, it has maintained sound risk management and internal control systems throughout the year under review, which seek to safeguard shareholders' investments as well as the Group's assets. In addition, the reports allowed the Board to determine the nature and extent of the significant risks that it is appropriate for the Group to take to achieve its strategic objectives and to be assured that Executive Directors and senior management continue to implement and maintain the Group's internal control and risk management systems within the governance and policy framework approved by the Board; • spent time with management below Board level to understand risks and controls in a number of areas of the business including: cascading of internal control and risk management policies within the business; onsite IT systems; risk of cyber threat to the business; supply chain risks; and the enhancement of financial control following the increase in volume of homes built; • reviewed in detail the output of the bi-annual controls self-certification process from each of the divisions; • considered all whistleblowing and fraud reports and actions; • reviewed all internal audit results and action plans; • received regular reports from the Risk Committee in respect of the work it had undertaken to review 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; • reviewed the risk framework to determine if the system of internal control remains effective and reported their findings to the Board when considering the draft interim and full year Financial Statements; and • assisted the Executive Committee to prioritise the risk framework by identifying the risks considered most significant to the Group. Consequently, 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.

Key responsibilities	Activities undertaken during the year
<p>The effectiveness of internal controls and the risk management process continued</p>	<p>The structure deployed by the Group when assessing risks is set out in Managing Risk on pages 36 and 37 of the Strategic Report. The key aspects of the Group's system of internal control and risk management framework are as follows:</p> <ul style="list-style-type: none"> 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 36 to 41 of the Strategic Report. Amongst other matters, the risks reviewed by management, the Audit Committee and the Board include: <ul style="list-style-type: none"> - 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 consortia; - safety, health and environmental; 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. <p>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.</p> <p>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 next financial year. 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.</p>

Audit Committee Report continued

Key responsibilities	Activities undertaken during the year
Review of accounting policies	<ul style="list-style-type: none"> • considered the impact of the adoption of IFRS 13 'Fair Value Measurement' and IAS 19 (Revised) 'Employee Benefits' and the choice of accounting framework for the Company's subsidiaries following the decision to replace UK Generally Accepted Accounting Practice ('UK GAAP') which will apply from 1 July 2015.
External auditor	<ul style="list-style-type: none"> • considered the following areas in respect of the external auditor: <ul style="list-style-type: none"> i) Re-appointment of auditor The Audit Committee took into account the following factors when considering the re-appointment of Deloitte LLP as the auditor to the Company and whether or not to tender the external audit in respect of the 2014/15 financial year: <ul style="list-style-type: none"> – 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; – the Code's requirement to put the external audit out to tender every ten years, Deloitte LLP was appointed as the auditor of the Company through an external tender process in 2007; – the appointment of Mark Goodey as the lead audit partner during the last financial year. Mark Goodey will continue to act in this capacity until the conclusion of the 2017 audit subject to satisfactory performance. FRC guidance and the Code suggest that the tendering should normally align with the five-yearly cycle of partner rotation; – Deloitte LLP's objectivity and independence; – Deloitte LLP's performance against the audit plan for the 2013/14 financial year; and – the quality of advice and assistance brought to bear and received throughout the year. <p>The Audit Committee concluded that Deloitte LLP's performance as auditor to the Company continues to be satisfactory and that it was not necessary to consider a tender process this year. The Audit Committee will assess its tendering arrangements towards the conclusion of Mark Goodey's period in office, or earlier if it has reason to do so. Accordingly, it recommended to the Board that a resolution re-appointing Deloitte LLP as the auditor to the Company be proposed at the 2014 AGM. That recommendation was subsequently endorsed by the Board. There are no contractual obligations which restrict the Audit Committee's choice of external auditor.</p> ii) Auditor objectivity, audit effectiveness and independence 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: <ul style="list-style-type: none"> – Deloitte LLP'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: <ul style="list-style-type: none"> – 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.

Key responsibilities	Activities undertaken during the year
External auditor continued	<p>Under the Policy the Company is required to, and does, obtain written confirmation from Deloitte LLP that they remain independent on an annual basis. Deloitte LLP 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 LLP believe they remain independent within the requirements of the applicable regulations and their own professional standards, which were conclusions that the Audit Committee endorsed.</p> <p>In reaching these conclusions the Audit Committee reviewed, amongst other matters, the:</p> <ul style="list-style-type: none"> - report from Deloitte LLP describing their arrangements to identify, report and manage any conflicts of interest; - extent of the non-audit services provided by Deloitte LLP; and - the ratio of audit to non-audit fees more generally. <p>iv) Non-audit services</p> <p>The Audit Committee, while being satisfied that the ratio of audit to non-audit fees for the 2013/14 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 (including audit-related) and non-audit fees incurred by the Group can be found on page 116.</p> <p>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 LLP. 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 LLP 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 on various land acquisitions and disposals during the year. Accordingly, the Audit Committee was satisfied that the work performed by Deloitte LLP was appropriate in the context of ensuring their independence as auditor, particularly given that the audit-related assurance services, relating to 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 LLP's independence as auditor to the Group. Deloitte LLP have also confirmed, in writing, that they are in agreement with this conclusion.</p> <p>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.</p>
Internal Audit Function	<ul style="list-style-type: none"> • received reports from the Chief Internal Auditor on the findings of internal audits conducted throughout the business; and • reviewed the systems and processes adopted by the internal audit function to ensure that they remain fit for purpose.
Audit Committee effectiveness	<ul style="list-style-type: none"> • implemented the recommendations arising from the previous year's performance evaluation; and • evaluated its own performance and that of its members through an internal process led by the Chairman of the Committee. The outcome of the review was positive particularly in respect of each member having a clear understanding of what is expected of them to undertake and discharge their responsibilities. The areas of focus identified were to continue monitoring the level of relevant financial experience within the Audit Committee; to continue to seek to streamline the Audit Committee's briefing papers further; and to ensure that there was adequate time allocated to each item for discussion at the meeting.
Whistleblowing	<ul style="list-style-type: none"> • received updates from the Chief Internal Auditor on new whistleblowing incidents, on-going investigations and the outcome of any completed investigations; • assessed the adequacy of the Group's whistleblowing policy in accordance with the requirements of the Code; and • reviewed the procedure adopted by the Group to ensure it remains appropriate and adequately allows individuals who become aware of possible improper, unethical or even illegal behaviour to raise the matter with their manager or alternatively refer the matter to a confidential and independent telephone number (the 'Whistleblowing Number'). <p>The Whistleblowing Number is available to all employees 24 hours a day, seven days a week and 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.</p>

This report forms part of the Corporate Governance Report and is signed on behalf of the Audit Committee by:


Mark Rolfe
 Chairman of the Audit Committee

9 September 2014

Remuneration Report

Annual Statement from the Chairman of the Remuneration Committee

During the 2013/14 financial year the Company made significant progress against these objectives and continues to perform well, as is illustrated in Table 5 below.

Table 5 – Company performance

	2013/14	2012/13 (restated) ¹	2011/12
Profit before tax (£m)	390.6	104.5	100.0
Earnings per share (p)	31.2	14.5 ²	8.1
ROCE (%)	19.5	11.5	8.3
Land bank (years)	4.7	4.4	4.1
Net cash/(debt) (£m)	73.1	(25.9)	(167.7)

¹ The Consolidated Income Statement has been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year. See note 3 to the Financial Statements.

² Adjusted earnings per share before exceptional items. Basic earnings per share 7.7p.

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the financial year ended 30 June 2014 on behalf of the Remuneration Committee. As we did last year and in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendments) Regulations 2013, which became mandatory for us this financial year, we have divided this Remuneration Report into the following parts:

- The Directors' Remuneration Policy on pages 64 to 74 sets out the Company's proposed policy on Directors' remuneration. This policy will be presented to shareholders for a binding vote at this year's AGM. If approved, the Policy will be effective from 12 November 2014 for a period of three years provided no changes are required during this period; and
- The Annual Report on Remuneration is set out on pages 75 to 86 and details the Directors' remuneration outcomes; how such remuneration is linked to the performance of the Group and how the Policy will apply in respect of the 2014/15 financial year. It also sets out Governance matters such as the Committee membership and the business the Committee undertook. The Annual Report on Remuneration will be presented to shareholders for an advisory vote at the 2014 AGM.

Our strategy and performance

The Committee aims to ensure that Executive Directors' Remuneration is clearly linked to the Group's strategy of delivering sustainable shareholder value and Executive Directors are appropriately rewarded for performance against the Group's key financial objectives.

2013/14 Remuneration Outcomes

Based on the Group's performance, the Committee approved the following remuneration for the Executive Directors in respect of the 2013/14 financial year:

Annual bonus

In July 2013 when the Committee was setting the objectives for the annual bonus, budgeted profit before tax was around £297m. Accordingly, the Committee established a target level of £300m, with a minimum profit before tax threshold for the bonus at £285m and a maximum threshold of £345m. For the financial year ended 30 June 2014, the Group achieved profit before tax of £390.6m (2013: £192.0m before exceptional items), an increase of 103.4% from the previous year. In addition, the Group moved from a net debt of £25.9m to a cash surplus of £73.1m, return on capital employed for the Group was at 19.5% and the Group achieved 4.7 years' supply of owned and controlled land. Taking these factors into consideration, together with the individual contributions of all senior managers within the Group in achieving strong results across all operating metrics, the Committee concluded that maximum bonus awards for Executive Directors (after taking into account adjustments for the value of land) as set out on page 76 was justified. 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 condition.

Long Term Performance Plan

The performance period for the award made on 20 October 2011 (the '2011/12 LTPP') ended on 30 June 2014. Both of the total shareholder return and earnings per share performance conditions applicable to this award were tested after the 2013/14 financial year end. The total shareholder return of the Group was in the top quartile compared to the performance of the comparator group comprising the constituents of the FTSE 250 (excluding investment trusts) and the Group achieved adjusted basic earnings per share of 31.2 pence per share. Accordingly, 100% of the total shareholder return element and 91.62% of the earnings per share element vests on 20 October 2014. The participants of the 2011/12 LTPP will therefore receive 95.81% of the award granted to them in October 2011. The relevant number of shares (net of any tax and national insurance liabilities) will be issued to each of the participants in October 2014.

2014/15 Remuneration

Taking into account the improved business environment, the Company's evolving strategy and feedback received from shareholders on the Company's remuneration policy, the Committee undertook a detailed review of the remuneration for Executive Directors and senior managers. As a result of this review, the Committee has approved a number of changes to Executive Remuneration for the financial year ending 30 June 2015, which increase the emphasis on sustaining and improving performance of the business with particular focus on return on capital employed. The changes are summarised below:

Base salary/fees

Increases in base salary for the 2014/15 financial year have been limited to 3% for Executive Directors and senior management in line with the increase awarded to all employees across the Group. There is no change to the fees of the current Chairman or the Non-Executive Directors. See pages 84 and 86 for further details.

2014/15 Annual bonus

The maximum bonus potential has been maintained at 150% of base salary for any bonus earned in respect of the 2014/15 financial year. Any bonus in excess of 100% will be deferred into shares in the Company for a period of three years and subject to a continued employment condition. The Committee has however revised the performance measures and their weightings by reducing the weighting against profit before tax, increasing the weighting against employee engagement and introducing Health and Safety and Customer Service as new performance measures, as opposed to penalties for non-performance. Full details of the performance measures to be used and their respective weightings are set out on page 84.

2014/15 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 2014/15 financial year (the '2014/15 LTPP'). The level of the award to be granted will continue to be no more than 200% for the Executive Directors. Following consultation with major shareholders in May 2014, the Committee has introduced return on capital employed as an additional performance condition to this award, such that the award will be subject to three performance targets: total shareholder return, absolute earnings per share and return on capital employed, with each representing one-third of the award.

To further enhance the alignment of the interests of Executive Directors and senior management with those of shareholders, the Committee has also, in respect of the 2014/15 LTPP and future awards, introduced a two year 'holding period' before shares which vest under the 2014/15 LTPP and future long term performance plan awards can be sold, other than to settle any tax and national insurance due. Further details on the 2014/15 LTPP can be found on page 85.

Shareholding requirements

With effect from 1 July 2014, the Committee amended the shareholding requirements applicable to Executive Directors and senior managers. Under the revised requirements the Group Chief Executive Officer and the Executive Directors must hold shares in the Company equivalent to 200% and 150% of base salary respectively. In addition, the Committee has introduced a shareholding requirement of 100% of base salary for senior managers. The requisite level of shareholding must be attained within five years of appointment or, in the case of current employees, within five years of the revised requirements coming into effect.

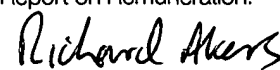
Changes to the Board

Rod MacEachrane stepped down as a Non-Executive Director, and consequently as a Committee member, at the last AGM and currently there is no intention to replace him (see page 52 of the Nomination Committee Report). As announced on 11 March 2014, Bob Lawson will be stepping down from his position as Chairman of the Board at the conclusion of the 2014 AGM. He will be replaced by John Allan, who joined the Board as a Non-Executive Director and Chairman Designate on 1 August 2014. John will receive a fee of £48,000 per annum (pro-rata) for the period 1 August 2014 to 12 November 2014, which is in line with the fee paid to the other Non-Executive Directors. On his appointment as Chairman of the Board, John's fee will increase to £300,000 per annum. The Board approved this fee following a benchmarking exercise undertaken by New Bridge Street against other companies with a similar market capitalisation to the Company.

Conclusion

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

I would like to thank all shareholders for their support of our remuneration policy to date and hope that you will continue to support the Remuneration Report at this year's AGM by voting in favour of both the Directors' Remuneration Policy and the Annual Report on Remuneration.



Richard Akers
Chairman of the Remuneration Committee

9 September 2014

Remuneration Report: Directors' Remuneration Policy

The Directors' Remuneration Policy (the 'Policy'), as set on pages 64 to 74 will, subject to shareholder approval, apply for a period of three years from 12 November 2014 and is available to view at www.barrattdevelopments.co.uk. The Committee will continue to review the Policy on an annual basis in the context of the business environment, regulation, best practice and market trends for the current and subsequent financial years. It will also ensure that the fixed and variable remuneration elements are simple, transparent and continue to be aligned with the interests of shareholders and designed to reflect the views of our investor shareholder bodies and other stakeholders. Should any changes be required to the Policy within the three years, the Policy will be re-presented to shareholders for approval.

Future Policy Table

The following table sets out a summary of the Company's remuneration for the Directors. A description of how the Company intends to implement the Policy set out in this table for the 2014/15 financial year can be found on pages 84 to 86.

Element of pay	Purpose and link to Company's strategy	How operated in practice
<p>■ Base salary</p>	<p>To help promote the long term success of the Company and to attract and retain high-calibre Executive Directors and individuals directly below Board level ('Senior Management') to implement the Group's strategy.</p> <p>To provide a competitive salary relative to comparable companies in terms of size and complexity.</p>	<p>Normally reviewed annually and fixed for 12 months with effect from 1 July.</p> <p>The Committee considers:</p> <ol style="list-style-type: none"> individual responsibilities, skills, experience and performance; salary levels for similar positions in other major housebuilders and other companies considered comparable by reference to market capitalisation; the level of pay increases awarded across the Group (with the exception of promotions); economic and market conditions; and the performance of the Group. <p>The Committee does have the discretion to vary salaries in the event there are changes to any of the above within the 12 month period for which salaries have been fixed.</p> <p>The Committee retains the right to approve a higher increase in exceptional cases, such as major changes to the Executive Director's role/duties or internal promotions to the position of Executive Director. In these circumstances a full explanation of the increases awarded will be provided in the Annual Report on Remuneration.</p> <p>Salaries are paid monthly in arrears.</p>
<p>■ Benefits (taxable)</p>	<p>To help promote the long term success of the Company and to attract and retain high-calibre Executive Directors and Senior Management and to remain competitive in the market place.</p>	<p>Benefits include:</p> <ul style="list-style-type: none"> company car; annual medical screening; private medical insurance; some telephone costs; and contributions towards obtaining independent tax advice. <p>The Committee does have the discretion to offer other benefits, it deems appropriate, to secure the appointment of a new Executive Director and to ensure that the benefits package for existing Executive Directors remains competitive in the market.</p>
<p>■ Pension</p>	<p>To help promote the long term success of the Company and to attract and retain high-calibre Executive Directors and Senior Management and to remain competitive in the market place.</p>	<p>In accordance with legislation, Executive Directors are enrolled into a workplace pension. If Executive Directors choose to opt-out of the workplace pension they can elect to either:</p> <ul style="list-style-type: none"> participate in the Company's money purchase pension plan; or receive a salary supplement. <p>Executive Directors are also eligible to an insured lump sum of up to five times pensionable salary on death in service.</p> <p>The defined benefit section of the Group's pension scheme closed to new entrants in 2001 and future accrual of defined benefits for current members ceased to be offered on 30 June 2009. Steven Boyes remains a member of this part of the scheme.</p>

The 2014 Directors' Remuneration Report uses colour coding throughout the Directors' Remuneration Policy and Annual Report on Remuneration to denote different elements of remuneration, as follows:

- Base salary
- Benefits (taxable)
- Pension
- Annual bonus/Deferred Bonus Plan
- LTTP

Maximum opportunity	Description of performance metrics ¹	Changes to 2014/15 remuneration policy from the previous year ²
<p>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; movement in comparator salaries; and salary progression for newly appointed directors.</p> <p>For the 2014/15 financial year base salary for Executive Directors increased by 3% in line with the increase awarded to employees across the Group.</p>	N/A	No change
<p>There is no formal maximum. Benefits are provided based on market rates.</p>	N/A	No change
<p>Defined contribution scheme and salary supplement: 30% of base salary</p> <p>Defined benefit scheme: 1/60 accrual rate and a retirement age of 65.</p>	N/A	No change

¹ The Committee reviews performance targets on an annual basis taking into account performance of the Group throughout the previous financial year, internal and external forecasts and consensus figures for the performance period. The performance targets are designed to be sufficiently stretching in order to ensure that maximum payout is only achieved for delivering exceptional performance.

² This column does not form part of the binding policy report but is intended to provide the reader with additional information to help them put the Policy into context.

Remuneration Report: Directors' Remuneration Policy continued

Element of pay	Purpose and link to Company's strategy	How operated in practice
<input type="checkbox"/> Annual bonus	<p>To motivate and reward Executive Directors and Senior Management for the achievement of demanding financial objectives and key strategic measures over the financial year.</p> <p>The performance targets set are stretching whilst having regard to the nature and risk profile of the Company and the interests of its shareholders. The focus of the performance targets is to deliver profit growth and to ensure we have an adequate land bank acquired within the constraints of our balance sheet commitments.</p> <p>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.</p>	<p>The Committee sets the performance targets on an annual basis at the start of the relevant 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.</p> <p>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.</p> <p>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. For full details see page 73.</p> <p>When setting bonus targets, the Committee considers the effect of corporate performance on environmental, social and governance risks and sustainability issues generally to ensure that remuneration structures do not inadvertently motivate irresponsible behaviour.</p> <p>Annual bonus is not pensionable.</p>
<input type="checkbox"/> Long Term Performance Plan ('LTPP')	<p>To motivate and reward Executive Directors and Senior Management for the delivery of the long term performance of the Group.</p> <p>To facilitate share ownership by Executive Directors and Senior Management.</p> <p>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.</p>	<p>The rules of the LTPP were approved by shareholders at the 2012 AGM.</p> <p>LTPP awards:</p> <ol style="list-style-type: none"> are structured as nil-cost options and granted annually so that no undue emphasis is placed on performance in any one particular financial year; are at the discretion of the Committee, taking into account individual performance and the overall performance of the Group; vest on the third anniversary subject to achievement of stretching performance conditions measured over three financial years and to continued employment; 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 guidelines from the Association of British Insurers ('ABI'); and do not accrue dividends. <p>The Committee has the discretion to impose such post-vesting holding periods as it deems fit. For the 2014/15 LTPP and all future LTPP awards, the Committee has introduced a two-year holding period for shares commencing from the end of the relevant performance period (net of any shares required to satisfy tax and national insurance liabilities), resulting in an aggregate five-year lifespan for each award.</p> <p>LTPP awards made prior to the Policy coming into effect were granted on the same terms as stated in the Policy and were subject to total shareholder returns ('TSR') and earnings per share ('EPS') performance conditions. Details of these performance conditions can be found on pages 62 and 81.</p> <p>Clawback may apply in the event of material misconduct and/or material misstatement or error of financial results. For full details see page 73.</p>
<input type="checkbox"/> Deferred Bonus Plan ('DBP')	<p>Any annual bonus which is deferred into shares is held in this plan.</p> <p>The aim is to encourage long term focus and to further align interests with those of shareholders and discourage excessive risk taking.</p>	<p>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') should it deem appropriate to do so.</p> <p>DBP awards made prior to the Policy coming into effect were granted on the same terms as stated in the Policy and were subject to a continued employment condition. Further details of these awards can be found on pages 76 and 78.</p> <p>Clawback may apply in the event of material misconduct and/or material misstatement or error of financial results. For full details see page 73.</p>

Maximum opportunity	Description of performance metrics ¹	Changes to 2014/15 remuneration policy from the previous year ²
<p>150% of base salary. 50% of the potential maximum bonus (75% of salary) is payable for achievement of on-target performance.</p>	<p>Performance measures have been divided into three categories:</p> <ul style="list-style-type: none"> • Financial items (e.g. profit before tax); • Balance sheet items (e.g. net debt/land creditors; or land commitment); • Non-financial items (e.g. health & safety, customer service, employee engagement and personal objectives). <p>The Committee has the discretion to vary the elements of each of these items and weightings of each component on an annual basis to ensure that they remain aligned to the strategy of the business and market conditions.</p> <p>Financial items will however have majority weighting.</p> <p>No Executive Director has any contractual right to receive a bonus. The Committee has an absolute discretion whether or not to award a bonus and as to the level of bonus to be awarded up to a maximum of 150% of base salary. The level of bonus to be awarded will be determined with reference to the performance of the Company against the relevant performance conditions and the underlying financial and operational performance of the business relative to the sector (as noted above). Where the Committee believes that performance does not warrant the level of bonus determined, it may use its discretion to reduce the award (possibly to nil) as it deems appropriate.</p>	<ul style="list-style-type: none"> • Weighting against the financial items has been reduced; • Replacing health & safety and customer service penalties with health & safety and customer service performance targets; and • Removal of the Committee's discretion against the personal objectives measure so that performance is measured entirely against the achievement of defined objectives.
<p>In accordance with the rules of the LTPP the Committee has the discretion to grant an award equal to 200% of base salary to each of the Executive Directors.</p>	<p>Subject to three performance conditions, TSR, absolute EPS and return on capital employed ('ROCE'). The TSR performance condition is monitored on the Committee's behalf by New Bridge Street ('NBS') whilst EPS and ROCE performance is verified by the Committee. The TSR, EPS and ROCE 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. The Committee has the discretion to determine the weighting of each element on the grant of an LTPP award.</p> <p>25% of an award will vest at threshold performance (0% vests below this level) increasing pro-rata to 100% vesting for maximum performance.</p> <p>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.</p>	<ul style="list-style-type: none"> • Introduction of a two-year holding period; and • ROCE included as an additional performance measure.
<p>Any bonus paid in excess of 100% of salary is deferred into shares and held in the CIP.</p> <p>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.</p> <p>Should the Committee decide to make Matching Awards, these may be made at a rate of one for one for compulsory deferral and at a maximum of four for one for voluntary deferral.</p>	<p>Any shares awarded remain subject to a continued employment condition over a three-year period and 'good' and 'bad' leaver provisions.</p> <p>Any Matching Awards, if granted, will be subject to performance conditions and levels of vesting similar to those attached to any LTPP award to be made during the year and will be measured over a period of three years.</p>	<p>No change</p>

Remuneration Report: Directors' Remuneration Policy continued

Element of pay	Purpose and link to Company's strategy	How operated in practice
Executive Share Option Scheme ('ESOS')	To encourage or facilitate the holding of shares in the Company by or for the benefit of bona fide employees and former employees of the Company and its subsidiaries.	<p>No awards can be granted under the ESOS in the same financial year as an award is granted under the LTTP.</p> <p>The Committee retains the discretion to make future awards under the ESOS should market conditions dictate that it is more appropriate to grant under the ESOS than the LTTP.</p> <p>Subject to the relevant performance targets being met, options are normally exercisable up to the 10th anniversary of grant or during such shorter period as may be specified at the time of grant.</p> <p>The last award, made under the ESOS in December 2009, vested in December 2012. Executive Directors have until 19 December 2019 to exercise their vested option, after which time it will lapse.</p> <p>Clawback may apply in the event of material misconduct and/or material misstatement or error of financial results. For full details see page 73.</p>
Savings Related Share Option Scheme ('Sharesave')	To promote long term share ownership amongst all employees of the Group in a tax-efficient way, linking employee benefits to the performance of the Group and to aid retention of staff.	<p>Under the standard terms of the Sharesave, all employees with a minimum of six months' service as at the invitation date are eligible to participate in the Sharesave.</p> <p>Employees can elect to save between a minimum of £5 and the maximum monthly savings limit as approved by the Committee and the Board, for a period of three or five years. At the end of the savings period the employee has six months in which to exercise their option.</p>
Shareholding requirement³	To further align the interests of Executive Directors and Senior Management to those of shareholders.	<p>Executive Directors and Senior Management are required to build up and retain a shareholding in the Company's shares within five years of being appointed to the Group.</p> <p>The share price used for the purposes of determining the value of the shares is that prevailing on 30 June in each year.</p> <p>There is no mandatory requirement for the Non-Executive Directors, including the Chairman, to hold shares however there is an expectation that they will acquire some shares following their appointment.</p> <p>Details of the extent to which the Executive Directors complied with this policy as at 30 June 2014 are set out on page 79.</p>
Non-Executive Directors' fees (including the Chairman)	To attract and retain high quality and experienced Non-Executive Directors (including the Chairman).	<p>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.</p> <p>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.</p> <p>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 or taxable benefits other than the potential to receive gifts at the end of a long-standing term of appointment and travel/hospitality benefits related to their role as Directors.</p> <p>No additional fees are payable for membership of Board Committees however, additional fees are paid to the Chairmen of the Audit, the Remuneration and the Safety, Health and Environmental Committees and the Senior Independent Director.</p>

³ The shareholding requirement relating to Senior Management does not form part of the binding policy but is provided for information purposes only.

Maximum opportunity	Description of performance metrics ¹	Changes to 2014/15 remuneration policy from the previous year ²
200%	Subject to performance conditions similar to those attached to any LTPP award, over a three-year performance period. The Committee has the discretion to determine the weighting against each performance condition attached to the award.	No change
Save up to the maximum monthly amount as specified by legislation or HMRC and as approved by the Committee and the Board. The maximum savings level is set by legislation or Government from time to time and the Committee reserves the right to amend contribution levels to reflect such approved changes.	Continued employment for the duration of the scheme and 'good' and 'bad' leaver provisions.	Increase in the maximum monthly savings limit from £250 to £500, following the change in legislation by HMRC in October 2013.
<ul style="list-style-type: none"> • 200% of base salary for the Chief Executive Officer; • 150% of base salary for other Executive Directors; and • 100% of base salary for Senior Management. 	N/A	<ul style="list-style-type: none"> • Increase of holding from 100% to 200% of base salary for the Chief Executive Officer and to 150% for all other Executive Directors; and • Introduction of a 100% of base salary holding for Senior Management.
Non-Executive Director fees must remain within the aggregate limit approved by shareholders and incorporated in the Company's Articles of Association. The current aggregate limit is £600,000. A resolution to increase the aggregate limit to £800,000 will be put to shareholders for approval at the 2014 AGM. If approved the revised aggregate limit will be applicable for the three years for which the Policy remains in force.	N/A	No change

Remuneration Report: Directors' Remuneration Policy continued

Remuneration strategy

The Group's current Remuneration Policy aims to:

- promote the long term success of the Company and 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 and Senior Management 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 2014/15 financial year.

Chart 1: Executive Directors' potential remuneration

Assumptions:

1. **Benefits** – the value receivable in the 2014/15 financial year is taken to be the value received in the 2013/14 financial year as disclosed in the Single figure of remuneration table on page 75;
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.

Recruitment of Executive Directors

The Committee will determine the remuneration for any new Executive Directors in accordance with the Policy as set out in the Future Policy Table on pages 64 to 69 and will take into consideration each of the following elements:

Salary and benefits – the Committee will take into account market data for the scope of the job and remuneration for the relevant role, the salaries of and benefits provided to existing Executive Directors, the new Executive Director's experience, location and current base salary and benefits package. In the event an Executive Director 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. The Committee may also agree to cover relocation costs if it deems it appropriate.

Pension – Executive Directors will be auto-enrolled from the date of recruitment unless they opt-out. If an Executive Director chooses to opt-out they may elect to receive a pension supplement in cash. The Committee has discretion to determine the level of pension supplement to be awarded to the Executive Director, up to a maximum of 30% of base salary, having regard to the pension supplement given to existing Executive Directors. Alternatively, the Executive Director may choose to join the defined contribution money purchase pension plan provided they meet all of the eligibility criteria. The Executive Director also has the option to receive some of their pension entitlement in cash and have the remainder contributed to the defined contribution money purchase pension plan, provided this does not, in aggregate, exceed 30% of base salary.

LTPP – new Executive Directors may be able to participate in the LTPP on terms to be considered by the Committee on a case by case basis. Any award made to the new Executive Director will usually be on the same terms as set out in the Future Policy Table on page 66. The level of the award will be no greater than that made to existing Executive Directors and will be pro-rated based on the number of weeks remaining outstanding of the relevant performance period.

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. The Committee would however in all cases seek validation of the value of any potential incentive that is being forfeited and take into account the proportion of the performance period remaining of the award, the type of award (i.e. cash/shares) and the performance achieved (or likely to be achieved). Replacement share awards, if any, will be capped at the amount forfeited and will be subject to the performance conditions applicable under the terms of the Company's Executive Director share scheme in operation at the time.

Where an individual is recruited internally to the position of Executive Director, the Company will honour any pre-existing contractual commitments.

Executive Directors' service contracts

Details of the Executive Directors' service contracts are included in Table 6 and their emoluments are shown in Table 8 on page 75. The Company's policy is for all Executive Directors' (including new appointments) service contracts to be for a rolling 12 month period which can be terminated by 12 months' notice given by either the Company or by the Executive Director at any time. The service 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. The Committee regularly reviews contractual terms for Executive Directors to ensure that they continue to reflect best practice.

All Executive Directors' appointments and subsequent re-appointments are subject to election and annual re-election by shareholders at the Company's annual general meeting.

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

Executive Directors' service contracts are available for inspection by any person at the Company's registered office during normal office hours.

Executive Directors' policy on payment on loss of office

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 reserves the right to make additional payments where such payments are made in good faith: (a) in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or (b) by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment. 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 their own loss; and the Director's length of service when calculating termination payments. The Committee reserves the right to phase any such payments if it deems that it is appropriate to do so. Any amount that the Committee decides to pay an Executive Director will be based on the main elements of Executive Remuneration namely, base salary, annual bonus (subject to the Committee's discretion), benefits and pension. The Committee also takes into account the rules of the annual bonus and LTPP Schemes when determining any payments for loss of office as follows:

Remuneration Report: Directors' Remuneration Policy continued

Annual bonus – in terms of the annual bonus, in accordance with the provisions contained within the service contracts, Executive Directors are not usually entitled to any bonus payment (other than in circumstances where they are deemed by the Committee as a 'good leaver', which includes but is not limited to redundancy, retirement, ill-health or disability or any other circumstance which the Committee may decide), unless they remain employed and are not under notice as at the payment date. Any bonus payment for a 'good leaver' will be based on the individual performance of the Executive Director concerned as well as the Company's performance during the relevant period. Such payment will be pro-rated depending on the proportion of the bonus period worked by the relevant individual.

Deferred bonus – for any bonus deferred into shares, if the Executive Director is deemed to be a 'good leaver' (as defined above), he will be entitled to retain the shares subject to settling any tax and national insurance liability that may become due on release of the shares. In all other cases, the shares will lapse immediately on the date that the Executive Director's employment with the Company ends and there is no entitlement to any compensation for the loss of the shares.

In the event any Matching Awards have been granted to the Executive Director, these will lapse immediately unless the individual is leaving for a 'permitted reason' (this includes, but is not limited to, redundancy, retirement, ill-health or disability). If the Executive Director is leaving for a permitted reason, the unvested award will become vested and the number of shares subject to the award will be pro-rated based on the number of weeks of the performance period that have been completed and the level of the performance conditions that have been met up to that date.

LTPP – under the rules of the LTPP, unless the Executive Director is deemed by the Committee to be a 'good leaver' (as defined above) any LTPP awards held by him will lapse on cessation of his employment. If he is a 'good leaver', the number of shares subject to the award will be pro-rated based on the number of weeks of the relevant performance period completed by him. No shares will however, be released to the Executive Director, until the normal vesting date, being three years from the date of grant. During this time the shares will continue to be subject to the relevant performance conditions until the end of the performance period, at which point the Committee will test the performance conditions and determine how much, if any, of the remaining shares will vest.

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 the prescribed timescales set out in the rules.

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 their duties to the Company.

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, from either party, for the Chairman 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 by the Board
Bob Lawson	13 November 2013	1 June 2008	1 June 2014 ¹
John Allan ²	N/A	1 August 2014	N/A
Tessa Bamford	13 November 2013	1 July 2009	1 July 2012
Mark Rolfe	13 November 2013	1 May 2008	1 May 2014
Richard Akers	13 November 2013	2 April 2012	N/A
Nina Bibby	13 November 2013	3 December 2012	N/A

¹ As announced on 11 March 2014 Bob Lawson will be stepping down from his position as Chairman of the Board at the conclusion of the 2014 AGM. His letter of appointment has therefore been renewed for the period up to and including 12 November 2014.

² John Allan joined the Board on 1 August 2014 as a Non-Executive Director and Chairman Designate. He will succeed Bob Lawson as Chairman of the Board with effect from the conclusion of the 2014 AGM.

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.

Gifts to Directors on leaving employment

The Committee reserves the discretion to approve gifts to long serving Directors who are retiring or who are 'good leavers' e.g. those leaving office for any reason other than dismissal or misconduct. The value of the gift for any one Director shall be limited to a maximum of £5,000 and where a tax liability is incurred on such a gift the Committee has the discretion to approve the payment of such liability on behalf of the Director in addition to this maximum limit.

Legacy arrangements

For the avoidance of doubt, in approving the Policy, authority is given to the Company to honour any previously disclosed commitments entered into with current or former Directors including, but not limited to, payment of pensions or the vesting/exercise of past share awards.

Clawback

Both the annual bonus (including any deferred bonus and any matching element) and the LTPP are subject to the Company's power of clawback (the 'Clawback') for a period of two years following vesting. The Clawback is applicable in respect of any annual bonus paid/deferred and to any share awards granted under the LTPP or 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. If the award has vested and shares have been issued to the participant, the participant will be required to repay the value of the relevant number of shares based on the Company's closing share price as at the date the shares were issued.

Statement of consideration of pay and employment conditions elsewhere across the Group

The level 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 reviewing the pay and employment conditions of Executive Directors and Senior Management, including increase in base salary, the Committee takes into consideration the pay and employment conditions of all employees across the Group. The Company does not directly consult with employees when setting Executive Directors' remuneration, however the Company does have forums through which employees can ask questions on such matters should they so wish.

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 in the Future Policy Table on pages 64 to 69 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. All employees, including Executive Directors and Senior Management, are subject to the same performance targets, however the weightings against the various targets may vary;
- 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;
- Executive Directors' may opt to receive a cash supplement in lieu of being auto-enrolled or contributing to the defined contribution section of the Barratt Group Pension and Life Assurance Scheme. In addition, the maximum rate of employer's contribution varies between 5% – 30% for other employees across the Group and 30% for Executive Directors; and
- only Executive Directors and Senior Management are able to participate in the LTPP. A number of select employees operating below Senior Management may be invited to participate in the Senior Managers' Incentive Scheme, which is subject to long term performance conditions.

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.

Remuneration Report: Directors' Remuneration Policy continued

Statement of consideration of shareholder views

Each year we update our major shareholders upon the Committee's application of the 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 takes into account shareholder feedback received from this exercise and any additional feedback received during any meetings from time to time, as part of the Company's annual review of the 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 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.

Remuneration Report: Annual Report on Remuneration

In this section, we describe how the Policy has been implemented throughout the 2013/14 financial year and the resulting payments to Directors and how the Policy will be applied throughout the 2014/15 financial year. The Annual Report on Remuneration will be subject to an advisory vote at the 2014 AGM.

Directors' remuneration outcomes for the 2013/14 financial year

Single figure of remuneration

The total remuneration for each of the Directors for the financial year ended 30 June 2014 is as set out in Tables 8 and 9 below:

Table 8 – Executive Directors' single figure of remuneration

	■ Salary £000		■ Benefits' (taxable) £000		■ Annual Bonus ² £000		■ LTPP £000		■ Pension Benefits £000		Sharesave ⁶ £000		2014 Total £000	2013 Total £000
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14 ⁴	2012/13 ⁵	2013/14	2012/13	2013/14	2012/13		
Mark Clare	681	664	43	39	1,021	996	4,084	2,412	204	199	-	-	6,033	4,310
David Thomas	441	430	15	14	661	645	2,593	1,532	132	129	-	16	3,842	2,766
Steven Boyes	441	430	28	26	661	645	2,479	1,464	132	126 ³	-	-	3,741	2,691
Total	1,563	1,524	86	79	2,343	2,286	9,156	5,408	468	454	-	16	13,616	9,767

1 Benefits (taxable) include the provision of a company car, annual medical screening, private medical insurance, some telephone costs and contributions towards obtaining independent tax advice.

2 Includes amount deferred (see Table 11 on page 76).

3 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.

4 Performance conditions tested after 30 June 2014 and 95.81% of the award is due to vest in October 2014. Market price of shares has been calculated based on an average market value over the three months to 30 June 2014 (£3.6916 per share).

5 Re-calculated using share price of £3.3856 per share being the market value of the shares on the vesting date 24 October 2013 as opposed to the market price of £3.0812 per share calculated based on an average market value over the three months to 30 June 2013 as disclosed in last year's remuneration report.

6 The Sharesave option granted in March 2010 was subject to a continued employment condition and matured on 1 June 2013. The value is calculated using a share price of £3.198 per share being the market value of the share on the date of maturity.

Table 9 – Non-Executive Directors' single figure of remuneration

	Fees £000		Benefits (taxable) £000		2014 Total £000	2013 Total £000
	2013/14	2012/13	2013/14	2012/13		
Bob Lawson	270	270	-	-	270	270
Richard Akers	58	54	-	-	58	54
Tessa Bamford	48	48	-	-	48	48
Nina Bibby	48	28	-	-	48	28
Rod MacEachrane ¹	18	48	4	-	22	48
Mark Rolfe	63	61	-	-	63	61
Total	505	509	4	-	509	509

1 Rod MacEachrane stepped down from his position of Non-Executive Director at the conclusion of the 2013 AGM on 13 November 2013. Benefits (taxable) relates to the gift vouchers presented to Rod as a leaving gift by the Board, including the tax payable on the gift (see page 80).

■ 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% is based on the attainment of Group performance targets and 10% on personal objectives, both of which are linked directly to the Group's strategy. Any bonus earned in excess of 100% of base salary will be deferred into shares for a period of three years. 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 2013/14 financial year and the resulting outturn were as follows:

Remuneration Report: Annual Report on Remuneration continued

Table 10 – Annual bonus (Audited)

Bonus target	Strategic objective	Targets	Proportion of total bonus available	Actual performance	Resulting bonus outturn		Cash/ deferred
			% of salary	Achievement	% of salary	Payable in cash % of salary	Payable in shares % of salary
Profit before tax	Increase profitability	Threshold: £285m Target: £300m Maximum: £345m	20% 50% 100%	£390.6m	100%	50%	50%
Net cash/ (debt) and land creditors	Reduce net debt and land creditors	Threshold: £950m Target: £900m Maximum: £825m	3% 7.5% 15%	£706.3m	15%	15%	0%
Land bank	To ensure appropriate future land supply	Threshold: 18,000 plots Target: 19,250 plots Maximum: 21,000 plots	4% 10% 20%	21,478 plots	20%	20%	0%
Employee engagement	To attract and retain the highest calibre of individuals	Minimum: 65% Target: 70% Maximum: 75%	1% 2.5% 5%	78%	5%	5%	0%
Personal objectives	To focus individuals to achieving the Group's strategic objectives	Maximum: 5% personal objectives Maximum: 5% at the Committee's discretion	10%	Mark Clare 10% David Thomas 10% Steven Boyes 10%	10%	10%	0%
Health and safety	To create a safe environment for employees and other stakeholders	Minimum: 93%	No penalty	96%	0%	0%	0%
Customer service	To increase focus on providing a high quality service to our customers and maintain 5 Star status	Minimum: 5 Star status	No penalty	5 Star status	0%	0%	0%

Table 11 – Executive Directors' deferred bonus

	2013/14 Deferred Bonus			2012/13 Deferred Bonus		
	% of total bonus deferred ³	Amount deferred £000	Number of Shares ²	% of total bonus deferred ³	Amount deferred £000	Number of Shares ²
Mark Clare	50	340	TBC ¹	50	332	101,560
David Thomas	50	220	TBC ¹	50	215	65,769
Steven Boyes	50	220	TBC ¹	50	215	65,769

1 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 2013/14 financial year. The actual number of shares awarded in respect of the 2013/14 deferred bonus was not therefore available as at the date of this report and will be disclosed in next year's report.

2 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 condition.

3 The Executive Directors earned a total bonus of 150% of base salary for both of the 2013/14 and 2012/13 financial years. Accordingly, any bonus earned in excess of 100% of base salary is deferred into shares.

Long Term Performance Plans

Vesting of 2011/12 LTPP (included in 2013/14 Single Figure) (Audited)

The 2011/12 LTPP award granted on 20 October 2011 was based on performance to the year ended 30 June 2014 and will vest on 20 October 2014. 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 2014.	14.5p ¹	32p ¹	Basic EPS 31.2p ²	91.62 ²
TSR	TSR against the constituents of the FTSE 250 index (excluding investment trusts). 25% of this element vests for median performance and 100% of this element vests 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 97.5 (TSR of 53.8%)	Upper quartile of 49 (TSR of 97.0%)	Rank of 4 (TSR of 239.3%)	100.00
Total vesting					95.81

1 Following the Company's refinancing during the last financial year, the Committee informed each participant of the 2011/12 and 2012/13 LTPPs that it would be adjusting 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. Accordingly, the EPS threshold and stretch targets were increased by 2p each from 12.5p and 30p respectively.

2 The actual earnings per share of 31.2p has been rebased using the corporation tax rate applicable at the date on which the 2011/12 LTPP targets were set, as the subsequent reduction to the rate of corporation tax was not performance related. The actual earnings per share has also been rebased using the same number of shares in issue as used in the 2011/12 LTPP targets. The rebased earnings per share used for the purpose of determining vesting, which is directly comparable to the 2011/12 LTPP targets, was 30.0p.

The Committee considered the underlying financial performance of the Group and was satisfied that the above level of vesting of the 2011/12 LTPP was justified given the continued improvement in the Group's financial results as illustrated on pages 12 to 17 of this Annual Report and Accounts. Accordingly, the award details for each of the Executive Directors are as follows:

Executive Director	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	1,154,786	1,106,401	48,385	N/A	1,106,401	4,084
David Thomas	733,198	702,477	30,721	N/A	702,477	2,593
Steven Boyes	700,851	671,485	29,366	N/A	671,485	2,479

¹ The relevant number of shares will be released to each participant as soon as is practicable in October 2014, following the vesting date.

² The estimated value of the vested shares is based on the average share price during the three months to 30 June 2014 (£3.6916 per share).

☐ LTPP granted during the year (the '2013/14 LTPP') (Audited)

On 23 October 2013, the following 2013/14 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 £680,600	325.00	418,830	1,361	25	Three financial years to 30 June 2016
David Thomas	Nil cost option	200% of salary £440,750	325.00	271,230	881	25	
Steven Boyes	Nil cost option	200% of salary £440,750	325.00	271,230	881	25	

The 2013/14 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 2013, and against EPS for the financial year ending 30 June 2016, are as follows:

- the TSR element will vest in full if the TSR ranks in the top 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 2015/16 financial year is 40 pence per share or higher. This element will reduce to 25% for EPS of 30 pence per share. There will be no vesting if EPS is less than 30 pence per share. Vesting will be on a straight-line basis for EPS between 30 pence and 40 pence per share.

Statement of Directors' shareholding and share interests (Audited)

For the financial year ended 30 June 2014 Executive Directors were 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 this guideline is met. As at 30 June 2014, all of the Executive Directors had met the shareholding requirement (see Table 13 on page 79).

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 in Table 13 on page 79. No notification has been received of any change in the interests below during the period 30 June 2014 to 9 September 2014 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 2014 as described on page 76.

Remuneration Report: Annual Report on Remuneration continued

Table 12 – Executive Directors' conditional awards and share options (Audited)

Details of the conditional awards and share options over shares held by the Executive Directors who served during the year are as follows:

	Date of grant	Unvested shares (number)	Vested shares (number)	Granted (number)	Exercised (number)	Lapsed (number)	Out-standing shares as at 30/06/14 (number)	Market price on award (pence)	Exer-cise price (pence)	Market price at exercise /vesting (pence)	Gain receiv-able (£000)	Date from which exercis-able/capable of vesting ¹	Expiry Date
Mark Clare													
Conditional Share options													
ESOS ²	10.12.2009	-	340,456	-	-	-	340,456	-	121.39	-	-	10.12.2012	09.12.2019
Sharesave	28.03.2012	7,200	-	-	-	-	7,200	-	125.00	-	-	01.06.2015	30.11.2015
Conditional awards													
LTTPP ³	14.10.2010	251,578	712,322	-	(712,322)	(251,578)	-	100.00	-	338.56	2,412	14.10.2013	-
LTTPP ⁴	20.10.2011	1,154,786	-	-	-	-	1,154,786	83.47	-	-	-	20.10.2014	-
DBP	12.10.2012	184,123	-	-	-	-	184,123	170.14	-	-	-	12.10.2015	-
LTTPP ⁵	24.10.2012	825,357	-	-	-	-	825,357	160.90	-	-	-	24.10.2015	-
DBP	02.10.2013	-	-	101,560	-	-	101,560	326.90	-	-	-	02.10.2016	-
LTTPP	23.10.2013	-	-	418,830	-	-	418,830	325.00	-	-	-	23.10.2016	-
Total		2,423,044	1,052,778	520,390	(712,322)	(251,578)	3,032,312						
David Thomas													
Conditional Share options													
ESOS ²	10.12.2009	-	8,350	-	-	-	8,350	-	117.84	-	-	10.12.2012	09.12.2019
ESOS ²	10.12.2009	-	208,056	-	-	-	208,056	-	121.39	-	-	10.12.2012	09.12.2019
Sharesave	28.03.2010	-	7,811	-	(7,811)	-	-	-	116.18	312.00	16	01.06.2013	30.11.2013
Sharesave	27.03.2013	4,398	-	-	-	-	4,398	-	204.60	-	-	01.06.2016	30.11.2016
Sharesave	30.04.2014	-	-	4,297	-	-	4,297	-	349.00	-	-	01.07.2019	31.12.2019
Conditional awards													
LTTPP ³	14.10.2010	159,732	452,268	-	(452,268)	(159,732)	-	100.00	-	338.56	1,531	14.10.2013	-
LTTPP ⁴	20.10.2011	733,198	-	-	-	-	733,198	83.47	-	-	-	20.10.2014	-
DBP	12.10.2012	116,903	-	-	-	-	116,903	170.14	-	-	-	12.10.2015	-
LTTPP ⁵	24.10.2012	534,493	-	-	-	-	534,493	160.90	-	-	-	24.10.2015	-
DBP	02.10.2013	-	-	65,769	-	-	65,769	326.90	-	-	-	02.10.2016	-
LTTPP	23.10.2013	-	-	271,230	-	-	271,230	325.00	-	-	-	23.10.2016	-
Total		1,548,724	676,485	341,296	(460,079)	(159,732)	1,946,694						
Steven Boyes													
Conditional Share options													
ESOP ⁶	10.10.2003	-	153,897	-	(153,897)	-	-	-	357.37	-	-	10.10.2006	09.10.2013
ESOS ²	10.12.2009	-	189,142	-	-	-	189,142	-	121.39	-	-	10.12.2012	09.12.2019
Sharesave	28.03.2012	7,200	-	-	-	-	7,200	-	125.00	-	-	01.06.2015	30.11.2015
Sharesave	30.04.2014	-	-	2,578	-	-	2,578	-	349.00	-	-	01.07.2017	31.12.2017
Conditional awards													
LTTPP ³	14.10.2010	152,685	432,315	-	(432,315)	(152,685)	-	100.00	-	338.56	1,464	14.10.2013	-
LTTPP ⁴	20.10.2011	700,851	-	-	-	-	700,851	83.47	-	-	-	20.10.2014	-
DBP	12.10.2012	111,746	-	-	-	-	111,746	170.14	-	-	-	12.10.2015	-
LTTPP ⁵	24.10.2012	534,493	-	-	-	-	534,493	160.90	-	-	-	24.10.2015	-
DBP	02.10.2013	-	-	65,769	-	-	65,769	326.90	-	-	-	02.10.2016	-
LTTPP	23.10.2013	-	-	271,230	-	-	271,230	325.00	-	-	-	23.10.2016	-
Total		1,506,975	775,354	339,577	(432,315)	(306,582)	1,883,009						

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

2 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. Executive Directors have until 9 December 2019 to exercise their options under the ESOS.

3 73.9% of this award vested on 14 October 2013. The relevant number of shares was released to each participant thereafter following the settlement of any tax and national insurance liabilities due on the shares.

4 This award was tested after 30 June 2014 and 95.81% of the award will vest in October 2014 (see page 76 of this Annual Report on Remuneration for further details).

5 Award based on an allocation of ordinary shares equivalent in value to a maximum of 200% of base salary. Half of the award is subject to a three-year TSR performance condition (100% vesting for upper quartile, 25% for median and no vesting below median) and the other half is based on the achievement of an EPS target for the financial year ending 30 June 2015 (100% vesting at 26p or higher; 50% at 22p; 25% at 18p and no vesting for below 18p). There is no re-testing of performance conditions.

6 All unexercised options granted under the ESOP lapsed on 9 October 2013, being the end of the ten year lifespan of the option.

All conditional awards and share options 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 relevant targets. If the Committee is not of this view, it has the authority to reduce the level of vesting as it deems appropriate.

Table 13 – Directors' interests in shares (Audited)

	Beneficially owned as at 1 July 2013	Beneficially owned as at 30 June 2014	Outstanding share awards under all employee share plans as at 30 June 2014	Shareholding excluding deferred shares as a % of salary as at 30 June 2014	Shareholding including deferred shares as a % of salary as at 30 June 2014 (for information only)
Mark Clare	1,241,601	1,618,292	3,032,312	888	1,045
David Thomas	312,781	559,761	1,946,694	474	629
Steven Boyes	394,246	622,863	1,883,009	528	678
Bob Lawson	517,023	517,023	–	N/A	N/A
Richard Akers	10,000	40,000	–	N/A	N/A
John Allan ¹	–	3,102	–	N/A	N/A
Tessa Bamford	31,500	31,784	–	N/A	N/A
Nina Bibby	–	8,500	–	N/A	N/A
Rod MacEachrane ²	27,600	27,600	–	N/A	N/A
Mark Rolfe	69,000	70,149	–	N/A	N/A

¹ Figure as at 1 August 2014, being the date John Allan was appointed as a Non-Executive Director and Chairman Designate of the Company.

² Figures as at 13 November 2013 being the date on which Rod MacEachrane stepped down from his position as Non-Executive Director of the Company.

Dilution

On maturity or vesting of any of its share incentive schemes the Company satisfies the awards through: a new issue of shares; market purchases; or the Employee Benefit Trust (the 'EBT'). As at 30 June 2014, the Company proposes to satisfy all outstanding Executive options and awards under the LTPP, 2009/10 ESOS, the DBP and the Sharesave 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 2014 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 2014, the resulting issue of new shares would represent 3.25% of the Company's issued share capital as at that date.

Executive Directors' pension arrangements

The Company's pension policy for Executive Directors is that on joining the Group they will be auto-enrolled unless they choose to opt-out. Upon opting-out, the Executive Director may choose to receive a cash supplement (which does not count for incentive purposes) and/or participate in the Company's defined contribution money purchase pension plan. Each of the Executive Directors has opted to receive a cash supplement of 30% of base salary in lieu of pension. Only the base salary element of a Director's remuneration is pensionable.

Remuneration Report: Annual Report on Remuneration continued

Defined benefit section

Steven Boyes was a deferred member of the defined benefit section of the Barratt Group Pension and Life Assurance Scheme (the 'Scheme') during the year ended 30 June 2014.

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 an active 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. Since 1 July 2009 Steven Boyes has been entitled to receive a cash supplement equal to 30% of his base salary per annum.

The last full actuarial valuation of the Scheme as at 30 November 2013 showed a deficit of £34.8m calculated on the basis of the Scheme's technical provisions. The Company and the Trustees of the Scheme have agreed a plan to address the shortfall which requires the Company to continue to make deficit reduction payments of £13.3m per annum until 30 November 2015, followed by payments of £9.5m per annum from 1 December 2015 until 31 December 2016. The Company will discuss the funding requirements of the Scheme with the Trustees if any material change in the Group's financial circumstances is anticipated. The valuation for the Financial Statements was updated to 30 June 2014 by a qualified independent actuary and a surplus of £3.1m (2013: deficit of £13.4m) is included in the Group Balance Sheet as shown in note 28 of the Financial Statements.

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)

The Board presented Rod MacEachrane with £2,000 worth of gift vouchers as a retirement gift to reflect the significant contribution he made to the Board during his eight years' of service. As these vouchers are deemed to be a benefit, they are subject to tax, which the Company settled on Rod's behalf.

Payments for loss of office (Audited)

No payments were made in respect of loss of office during the year ended 30 June 2014 (30 June 2013: £nil).

Five year Group Chief Executive's pay

Table 14 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 long term incentive ('LTI') vesting level for Mark Clare, Group Chief Executive over a five year period:

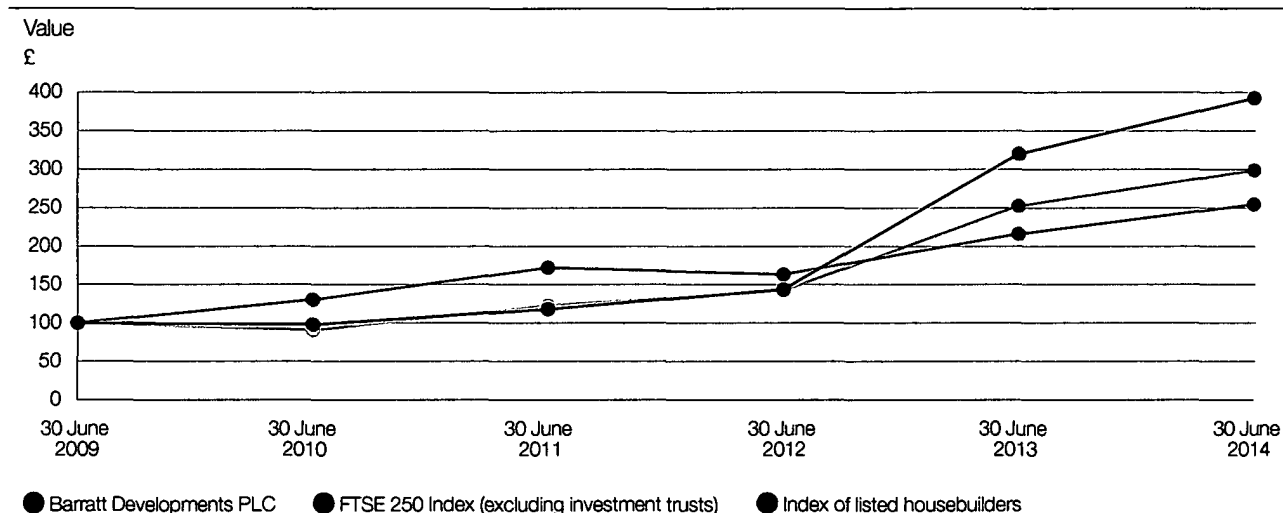
Table 14 – Five year Group Chief Executive's Pay (Audited)

	Five years to 30 June 2014				
	2010	2011	2012	2013	2014
Group Chief Executive's total pay (£000)	1,417	1,220	2,099	4,310	6,033
Bonus outturn (as percentage of maximum opportunity)	90.2	36.6	99.2	100.0	100.0
LTI vesting percentage	0.0	0.0	32.8	73.9	95.81

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



This graph shows the value by 30 June 2014 of £100 invested in Barratt Developments PLC on 30 June 2009 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.

Source: Datastream

Percentage change in remuneration of Group Chief Executive compared to employees

The table below shows the percentage change in salary, benefits and annual bonus earned by the Group Chief Executive between the financial years ended 30 June 2013 and 30 June 2014, compared to that of the total wage bill for all employees of the Group.

Table 15 – Percentage change in remuneration

	Salary	Benefits	Annual Bonus
	% change	% change	% change
Group Chief Executive	2.5	10.3	2.5
All employees (excluding Group Chief Executive) ¹	2.9	8.2	18.1

¹ All employees and Executive Directors, excluding the Group Chief Executive, who were continuously employed by the Group between 1 July 2012 and 30 June 2014, excluding promotions.

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 16 – Relative importance of spend on pay

	2014	2013	% change
Staff costs (including Executive Directors) (£m)	308.6	262.0	18
Profit from operations (£m) ²	409.8	249.9	64
Dividends (£m) ³	101.1	24.4	314

² Profit from operations has been chosen as a metric to compare against as it shows how spend on pay is linked to the Group's operating performance.

³ Includes interim dividend of 3.2 pence per share paid on 20 May 2014 to those shareholders on the register as at the close of business on 22 April 2014 and a final dividend of 7.1 pence per share, value of which has been calculated on the number of shares in issue (excluding those held by the EBT) as at 30 June 2014. The final dividend, if approved by shareholders at the 2014 AGM, will be paid on 20 November 2014 to those shareholders on the register at the close of business on 31 October 2014.

Remuneration Report: Annual Report on Remuneration continued

Governance

The Committee

The main role of the Committee is to design and implement a remuneration framework which is aligned to the interests of the shareholders and 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. The Committee operates within terms of reference (the 'Terms of Reference') and governance policies approved annually 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 measures and targets in respect of performance related pay schemes, including long term performance plans, for all participating employees which are, sufficiently challenging and 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 for each member of the Senior Management team including bonuses, incentive payments, share options/ awards and pension arrangements;
- understanding and keeping up to date, with the assistance of its external advisers, on market best practice on remuneration; and
- undertaking consultations with institutional shareholders on remuneration policy and/or other aspects of senior remuneration, as appropriate and ensuring that the 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 2014 are set out in the section titled 'Advice/Advisers'.

Membership

Membership of the Committee and attendance at each of its meetings during the year is set out in Table 17. John Allan became a member of the Committee on 1 August 2014, when he joined the Board as a Non-Executive Director and Chairman Designate.

Table 17 – Membership and attendance at Remuneration Committee meetings

Member	Role	Number of Meetings Attended
Richard Akers	Chairman	5/5
Tessa Bamford	Member	5/5
Nina Bibby ¹	Member	4/5
Bob Lawson	Member	5/5
Rod MacEachrane ²	Member	1/1
Mark Rolfe	Member	5/5

¹ Nina Bibby was unable to attend the April meeting due to an unavoidable clash of diaries on taking on a new role with O2. Nina provided her views on the items of business to the Chairman.

² Rod MacEachrane stepped down from the Board and from the Committee on 14 November 2013.

Note:

5/ Number of meetings attended whilst a Director.

/5 Number of meetings held whilst a Director.

The Group General Counsel and Company Secretary, Tom Keevil, acts as Secretary to the Committee.

In accordance with Code provision D.2.1, each of the Non-Executive Directors on the Committee (including John Allan) is considered to be independent with no financial interest in the Committee's decisions, other than as shareholders and the fees paid to them. Details of their shareholdings and fees can be found on pages 79 and 86 respectively.

Advice/Advisers

The Committee has authority to obtain the advice of external independent remuneration consultants and is solely responsible for their appointment, retention and termination. 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 £26,716 (2013: £16,358) for the year ended 30 June 2014. 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. NBS's appointment was reconfirmed by the Committee in June 2014 after an annual review of the quality of the advice received and fees charged. The Committee is comfortable that the NBS engagement partner and team, which provide remuneration advice to the Committee, do not have connections with the Company that may impair their independence or objectivity. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

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 been appointed actuary to the Barratt Group Pension and Life Assurance Scheme since 2004 and act as advisers to the Trustees of the pension scheme. Hyman Robertson have provided advice to the Company on various

pension issues and Squires Sanders have provided legal advice on such matters. 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, none of whom were present at any time when their own remuneration was being considered.

Effectiveness

Following an external performance evaluation by Independent Board Evaluation last year, it was agreed that the performance of the Committee would be evaluated internally, led by the Group General Counsel and Company Secretary. The outcome was positive. In line with the revisions proposed to the existing remuneration policy, a key focus would continue to be ensuring that the remuneration structure (and the aggregate value of the fixed and variable elements) remains appropriate within the market and in the context of the Company's evolving strategy. 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.

Non-Executive Directorships

During the year, Mark Clare was appointed as a Non-Executive Director of United Utilities Group PLC on an annual fee of £59,850. Subsequently, in July 2014, he became the Senior Independent Director of United Utilities Group PLC for which he receives an additional fee of £10,000 per annum (increased to £12,500 per annum from 1 September 2014). He will retain both of these fees in full. Mark Clare is also a trustee of the BRE Trust and UK GBC Limited, a member of the Government's Construction Leadership Council and he also sits on the CBI Construction Council. Mark Clare does not receive any fees for these positions. The time commitment (excluding travelling and pre-reading time) expected, in aggregate, for these positions is approximately 100 hours per annum. Neither David Thomas nor Steven Boyes held any non-executive directorships with other companies during the year.

Meetings

The Committee met on five occasions during the financial year and attendance at each of these meetings is described in Table 17 on page 82 of this report.

The matters addressed by the Committee during the 2013/14 financial year were as follows:

	General remuneration matters	Governance	Annual bonus	Long term incentives
Month:				
July 2013	<ul style="list-style-type: none"> CEO and Executive Directors annual performance review 	<ul style="list-style-type: none"> Review of the effectiveness of the Committee Shareholder consultation letter 	<ul style="list-style-type: none"> Finalisation of 2013/14 targets 	<ul style="list-style-type: none"> Review of impact of financial projects such as the sale of shared-equity portfolio on the levels of vesting Finalisation of targets for the 2013/14 award
August 2013	Annual consultation with shareholders			
September 2013	<ul style="list-style-type: none"> Review of Senior Management fixed and variable remuneration 	<ul style="list-style-type: none"> Approval and sign off of 2012/13 Remuneration Report Review of feedback from shareholders 	<ul style="list-style-type: none"> Formal confirmation of bonus outcomes in respect of the 2012/13 financial year Review of 2013/14 net debt target 	
December 2013	<ul style="list-style-type: none"> Approval of personal objectives for Executive Directors and Senior Management Review of process for assessing employee engagement 	<ul style="list-style-type: none"> Review of the Executive Directors' Remuneration Policy 	<ul style="list-style-type: none"> Finalisation of net debt/land creditors/land bank targets 	<ul style="list-style-type: none"> Review of performance measures for the 2014/15 LTTP
April 2014	<ul style="list-style-type: none"> Confirmation of CEO personal objectives performance targets following half-year review Review of the Committee's work programme and annual agenda 	<ul style="list-style-type: none"> Review of the policy on Executive Directors' fixed and variable remuneration Review and amendment of the Executive Directors and Senior Management shareholding requirements Review and approval of terms of reference 	<ul style="list-style-type: none"> Review of performance targets and weightings 	<ul style="list-style-type: none"> Review of the criteria for the introduction of a ROCE performance target for the 2014/15 LTTP
May 2014	Consultation with shareholders in respect of the revised remuneration policy			
June 2014	<ul style="list-style-type: none"> Approve salary increases for 2014/15 	<ul style="list-style-type: none"> Feedback from shareholders on the revised remuneration policy Committee effectiveness Review of initial draft of 2014 Remuneration Report 	<ul style="list-style-type: none"> Review of performance against targets for 2013/14 annual bonus Approve performance targets and weightings for 2014/15 annual bonus 	<ul style="list-style-type: none"> Review of EPS, TSR and ROCE targets for 2014/15 LTTP

Remuneration Report: Annual Report on Remuneration continued

Statement of implementation of the Policy for the 2014/15 financial year

Executive remuneration package for the 2014/15 financial year

In line with its remuneration strategy described on page 70, the Committee has based the Executive Directors' 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% of the Group Chief Executive's and the other Executive Directors' remuneration potential is performance based (see Chart 1 on page 70);
- performance-related remuneration should align the interests of Executive Directors with those of shareholders by setting performance targets based on measures of shareholder return. Accordingly, the Committee's policy is to use a combination of TSR, EPS and ROCE 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.

Executive Directors' Remuneration for the 2014/15 financial year

■ Base Salary

With the assistance of NBS, the Committee undertook a benchmarking exercise of Executive Director salaries and concluded that it would award all of them a salary increase of 3% for the 2014/15 financial year in line with the increase awarded to all employees across the Group. Following this increase, Executive Directors' salaries remain appropriately within the range for the housebuilding sector and the wider population of the comparators from the FTSE 250 (excluding investment trusts). Executive Director salaries, with effect from 1 July 2014, are therefore as follows:

Table 18 – Executive Directors' salary increases

Executive Director	Salary with effect from 1 July 2013 £000	Salary with effect from 1 July 2014 £000	% increase
Mark Clare	681	701	3
David Thomas	441	454	3
Steven Boyes	441	454	3

□ Pension

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 Policy. The performance measures, the reasons for selecting these measures and the maximum bonus payment against each of them expressed as a percentage of salary for the 2014/15 financial year will be:

Performance Measure	Reason for selecting	Weighting (% of salary maximum)
Financial:		
• Profit before tax	Rewards outperformance against stretching targets and is a key measure of our performance.	75
Balance Sheet Items:		
• Land commitment	Ensures efficient and effective management of our balance sheet and alignment of objectives with our banking covenants.	25
Non-financial:		
• Health and safety	Promotes working towards an ever safer working environment.	15
• Customer service	Critical to our ability to compete and our resilience in all market conditions.	15
• Employee engagement	Our ability to attract, motivate and retain the best people is another key criteria for our long term success.	10
• Personal objectives	Focus individuals on specific factors required to meet the long and short term strategy of the business whilst aligning their interests with those of shareholders.	10
Total		150*

* Any bonus earned in aggregate in excess of 100% will continue to be deferred into shares and held in the CIP. The Committee has agreed that no matching shares will be awarded against any deferred shares in respect of the 2014/15 financial year.

The individual targets for each performance measure are commercially sensitive and therefore not disclosed in this year's report. We will however provide full disclosure on the targets and performance against them in next year's Annual Report on Remuneration.

The annual bonus performance measures have been reviewed against last year's and the following changes have been made to align them with the Company's strategy:

- the weighting against profit before tax has been reduced to give it a more appropriate focus relative to other measures;
- the health & safety and customer service penalties have been revised into pro-active bonus components in order to increase Executive Directors' and Senior Managements' focus in these areas and to ensure that they continue to improve in line with the growth of the business; and
- the Committee's discretion over 50% of the Executive Directors' personal objectives element has been removed so that the full 10% will be based on the achievement of objectives. This provides clarity to Executive Directors and Senior Management in terms of what needs to be delivered in order to earn this element.

The Committee will continue to have an overriding discretion in respect of any bonus payment as set out in the Future Policy Table on page 66. In addition, any bonus awarded for the 2014/15 financial year will be subject to Clawback (see page 73).

LTPP

The level of the LTPP award to be granted to Executive Directors and Senior Management during the 2014/15 financial year will be in line with that described on page 66. The Committee is cognisant that such an award should be subject to performance targets which are stretching and challenging whilst aligned with the short and long term performance of the Group and total shareholder return. Accordingly, the Committee has agreed that the extent to which the LTPP award to be granted in 2014/15 (the '2014/15 LTPP') will vest, will be dependent on three independent performance conditions as follows:

Performance condition	Reason selected	Weighting (of total award)	Below Threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)
• TSR against comparator group comprising the FTSE 250 (excluding investment trusts)	Rewards outperformance compared against returns generated by our listed company peers.	One-third	Below median	Median	Upper quartile
• Absolute EPS for the financial year ending 30 June 2017	To ensure efficient and effective management of our business and align interests with those of shareholders.	One-third	see below		
• ROCE	To ensure efficient and effective management of our business and align interests with those of shareholders.	One-third	see below		

EPS and ROCE performance targets

Having assessed the improved financial performance of the Group since 2007, and balanced the reduced weighting that EPS performance will have under the 2014/15 LTPP with the increased commercial sensitivity of the EPS target to the Group's future strategy, the Committee has concluded that it is no longer appropriate to publish the EPS target prospectively. Additionally, given the link between the EPS and ROCE calculations, the Committee has also agreed not to publish the specific ROCE targets for the 2014/15 LTPP. The Company will however, provide an update on EPS and ROCE performance against targets on an annual basis. The specific target range for the 2014/15 LTPP will remain designed to incentivise significant performance improvement across the business, deliver a strong return to shareholders and represent a stretching target for Executive Directors and Senior Management. When setting the target range for the 2014/15 LTPP, the Committee has also taken into account the Board's assessment of optimal scale of business, the Group's target of a ROCE of at least 25% for FY17 and current market consensus relating to PBT.

Each of the above performance conditions will remain subject to an overriding Committee discretion as set out in the Future Policy Table on page 67. Clawback will also apply to the 2014/15 LTPP.

In addition to the inclusion of ROCE as a performance condition, the Committee has introduced a two-year holding period for any shares (net of any shares sold to satisfy tax and national insurance liabilities) which vest under the 2014/15 LTPP (and future awards).

Remuneration Report: Annual Report on Remuneration continued

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 2014/15 financial year. Accordingly, the annual fees payable to the Non-Executive Chairman and Non-Executive Directors with effect from 1 July 2014 are as summarised in Table 19 below:

Table 19 – Non-Executive Directors' fees

Role	Fee as at 1 July 2013	Fee as at 1 July 2014	% increase
Chairman	£270,000	£270,000 ¹	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
Chairman of Safety, Health and Environmental Committee ²	N/A	£5,000	N/A
Senior Independent Director	£5,000	£5,000	0

¹ The Chairman's fee will increase to £300,000 from 12 November 2014, when John Allan succeeds Bob Lawson as the Chairman of the Board (see page 63 for further details).

² Newly formed Board Committee as of 1 July 2014.

Statement of shareholding vote at AGM

At the 2013 AGM, a resolution was proposed to shareholders to approve the Remuneration Report for the year ended 30 June 2013 for which the following votes were received:

	Number of votes	Percentage
Votes cast in favour	540,549,202	99.15
Votes cast against	4,659,006	0.85
Total votes cast	545,208,208	100.00
Abstentions	20,842,825	

This Remuneration Report was approved by the Board on 9 September 2014 and signed on its behalf by:

Richard Akers
Non-Executive Director

Richard Akers



Other statutory information

Any matters on which the Directors are required to report on annually, but which do not appear in any other section of the Directors' Report are detailed below.

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 throughout Britain. 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 2014 was £305.4m (2013: £74.7m (restated)).

An interim dividend of 3.2 pence per share was paid on 20 May 2014 to those shareholders on the register as at close of business on 22 April 2014 (2013: nil). The Directors recommend the payment of a final dividend of 7.1 pence per share on 20 November 2014 in respect of the financial year ended 30 June 2014 to shareholders on the register at the close of business on 31 October 2014 (2013: 2.5 pence per share). Accordingly, subject to the recommended final dividend receiving shareholder approval, the total dividend for the 2013/14 financial year is 10.3 pence per share (2013: 2.5 pence per share).

Strategic Report

The Group's Strategic Report is set out on pages 2 to 41 of this Annual Report and Accounts and contains details of the Group's greenhouse gas emissions (page 35); our approach to diversity and details of diversity within the Group (page 32); our employee engagement programme (page 31); an indication of likely future developments in the Group including in the field of research and development (pages 27 and 28) and the Group's principal risks and uncertainties (pages 38 to 41).

In addition, details of the Company's approach to dealing with environmental issues in its operations and the impact of and management of risks associated with environmental, social and governance matters are on pages 36 to 41 of the Strategic Report and in the Sustainability Report, which can be found on the Company's website at www.barrattdevelopments.co.uk.

The Group's financial assets, financial liabilities and derivative financial instruments are detailed in notes 24, 25 and 26 to the Financial Statements. Details of the Group's liquidity, market price, credit and cash flow risks are set out in note 27 to the Financial Statements.

Annual General Meeting

The 2014 AGM will be held at The Royal College of Physicians, 11 St Andrews Place, Regent's Park, London NW1 4LE on Wednesday 12 November 2014 at 2.30 p.m. The Notice convening the 2014 AGM is set out in a separate letter to shareholders.

Directors and their interests

Each of the Directors, with the exception of John Allan, listed on pages 44 and 45 held office throughout the financial year and as at 30 June 2014. John Allan joined the Board as a Non-Executive Director and Chairman Designate on 1 August 2014. Rod MacEachrane stepped down from his position as a Non-Executive Director of the Company on 13 November 2013. Bob Lawson is due to step down as Chairman of the Board immediately following the 2014 AGM and, subject to his election by shareholders, John Allan will take over as Chairman from the same date.

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 2014 and as at the date of this report are disclosed in the Remuneration Report on pages 78 and 79.

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 their term of office. The office of Director shall be vacated if: (i) they resign or offer to resign and the Board resolves to accept such offer; (ii) their resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; (iii) they are or have been suffering from mental or physical ill health; (iv) they are absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that their office is vacated; (v) they become bankrupt or compound with their creditors generally; (vi) they are prohibited by law from being a Director; (vii) they cease to be a Director by virtue of the Act; or (viii) they are removed from office pursuant to the Articles.

Details relating to the retirement, election and re-election of Directors at each AGM can be found on page 54 of the Corporate Governance Report.

Other statutory information continued

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 August 2014, Mark Clare, Group Chief Executive, reserved an apartment (including a car parking space) from Fulham Wharf LLP, a joint venture partnership between BDW Trading Limited ('BDW') (the Company's main trading subsidiary) and London and Quadrant Housing Trust (L&Q), at a purchase price of £1,692,350. This purchase was conducted at a fair and reasonable market price based on four independent market valuations and similar comparable transactions at that time. An amount of £2,500 was paid on reservation. As at 9 September 2014, contracts had not been exchanged between the parties. A deposit will be payable on exchange of contracts and the remaining balance will become payable on legal completion, in accordance with the Group's normal terms of trading.

In respect of the transaction between the son of Mark Clare and Alie Street LLP (another joint venture partnership between BDW and L&Q) which was disclosed in last year's report, legal completion occurred on 20 February 2014 and any outstanding balances on that date were paid in full. Accordingly, there are no outstanding balances in respect of this transaction as at 30 June 2014.

Fulham Wharf LLP and Alie Street LLP are not controlled by and are not subsidiary undertakings of the Company.

On notification by Mark Clare of the above transactions, 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 transactions. 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 either of these transactions. Consequently, no shareholder approval was required for the transactions.

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 they ought to have taken in accordance with their duty as a Director to make themselves aware of any relevant audit information and to ensure 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.

Political donations and expenditure

No political donations or expenditure were made or incurred during the year (2013: £nil).

Offices

The Group had 27 offices (excluding those offices undertaking an administrative function only) located throughout 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 29 to the Financial Statements on page 146.

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 13 November 2013, the Directors were given authority to allot shares up to a nominal value of £32,664,362 (representing one-third of the nominal value of the Company's issued share capital as at 4 October 2013), such authority to remain valid until the end of the 2014 AGM or, if earlier, until the close of business on 12 February 2015. A resolution to renew this authority will be proposed at the 2014 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 any shares which 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 2014 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; (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 13 November 2013, shareholders gave authority to the Company to buy back up to an aggregate of 97,993,080 ordinary shares (representing 10% of the Company's issued share capital). This authority is valid until the end of the 2014 AGM or, if earlier, until the close of business on 12 February 2015. 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 2014 AGM.

Other Statutory Information continued

Dividends and distributions

Subject to the provisions of the Act, the Company may by ordinary resolution from time to time declare dividends for payment to the holders of the ordinary shares of 10 pence each, of an amount which does not exceed the amount recommended by the Board. The Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies their payment. If the Board acts in good faith, it is not liable to holders of shares with preferred or pari passu rights for losses arising from the payment of interim or fixed dividends on other shares. The Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% interest if such person has been served with a restriction notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Act.

Shareholder arrangements to waive dividends

The Barratt Developments Employee Benefit Trust (the 'EBT') holds ordinary shares in the Company for the purpose of satisfying options and awards that have been granted under the various employee share schemes operated by the Company. Details of the shares so held are set out in note 29 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.

Employee share schemes

Details of employee share schemes are set out in note 30 to the Financial Statements.

Approach to tax and tax governance

Across all taxes, it is the Group's aim to ensure it accurately calculates and pays the tax that is due at the correct time. Whilst the Group does seek to minimise its tax liabilities through the use of legitimate routine tax planning, it does not participate in aggressive tax planning schemes. The Group also seeks to be transparent in its dealings with HM Revenue & Customs and has regular dialogue with them to discuss both developments in the business and the ongoing tax position.

The Group Finance Director retains overall responsibility for oversight of the tax affairs of the Group and receives updates on the tax position on a regular basis. In addition taxation is discussed by the Audit Committee at least annually.

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 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 (other than rollover loans). 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)) contains 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 carrying voting rights.
- 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 (save for the fact that the term loan is fully drawn and so the restrictions on drawing described for the Revolving Credit Facility Agreement do not apply).

- Each of the debt facility agreements (based on a pro forma agreement agreed in October 2012) between the Company (as guarantor), 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 or voting rights 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.

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 Strategic Report on pages 2 to 41. 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 38 to 41 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 27 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 36 to 37, 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.

The Group has total committed facilities and private placement notes of £848.4m. The maturity of these facilities range from June 2016 to July 2021, with £150m of the revolving credit facility maturing in June 2016 and £550m of the revolving credit facility maturing in May 2018. The committed facilities and private placement notes provide appropriate headroom above our current forecast debt requirements. In addition to these committed borrowing facilities the Group has secured £32.4m of financing from the Government's 'Get Britain Building' and 'Growing Places Fund' schemes. These funds are repayable between 31 December 2014 and 31 March 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.

On behalf of the Board



Tom Keevil

Group General Counsel and Company Secretary

9 September 2014

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.

Fair, balanced and understandable

The Board considers, on the advice of the Audit Committee, that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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 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 44 and 45.

By order of the Board



Mark Clare
Group Chief Executive
9 September 2014



David Thomas
Group Finance Director
9 September 2014

The Directors' Report from pages 42 to 92 inclusive was approved by the Board on 9 September 2014 and is signed on its behalf by:



Tom Keevil
Group General Counsel and Company Secretary

Financial Statements

Independent Auditor's Report to the Members of Barratt Developments PLC

Opinion on the Financial Statements of Barratt Developments PLC

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 2014 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRS's) 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.

The Financial Statements 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 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.

Going concern

As required by the Listing Rules we have reviewed the Directors' statement contained within the Accounting Policies on pages 102 to 109 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
<p>Carrying value of land and work in progress</p> <p>The Group's assessment of the carrying value of land and work in progress, being the lower of cost and net realisable value, is a judgemental process which requires the estimation of future selling prices, sales rates and costs to complete, determined on a site by site basis. These factors drive the gross margin for each site and hence that recognised at the point of sale. Revenue recognition on social housing developments accounted for under IAS 11 'Construction Contracts' requires additional judgement in calculating the revenue and profit to be recognised, estimating the total expected costs to complete each site and the percentage of completion at the balance sheet date.</p>	<p>Our work involved testing each of the key assumptions and forecasts which support the basis of the valuation of land, including strategic land, and work in progress. We have compared the Group assumptions to external market forecasts for sales price inflation and build cost inflation and have tested a sample of sites to current market data on sales rates, sales prices and cost assumptions. We have performed independent sensitivity analysis, informed by external forecasts. We attended a sample of valuation meetings to assist us in assessing the adequacy of management's key controls around the forecasting of costs. We also tested the design and implementation of the Group's controls relating to the determination of costs to complete as this is the most significant judgment applied to each site valuation. A sample of construction contracts were tested through verification of costs incurred and supporting evidence for the percentage completion at the balance sheet date sought from third party surveyors. A selection of these schemes have been reviewed with a sample of costs agreed to surveyors certificates, total sales values agreed to contracts, and the recognition formula verified to support revenue recognised.</p>
<p>Valuation of available for sale financial assets</p> <p>The Group's available for sale financial assets are held at fair value. The assets represent loans granted as part of housing sales transactions that are secured by way of a second charge on the respective property. The valuation requires the exercise of significant judgement in estimating the future cash flows expected from the redemption of the loans, including an estimate of the market value of the property at the estimated time of repayment, and the determination of a suitable discount rate to calculate the present value of the cash flows.</p>	<p>We have tested each of the key assumptions underpinning the fair value model through comparison to historic experience of the Group in terms of redemption values and defaults, tested the consistency of assumptions employed by the Group for forecast sales price inflation and compared the discount rate employed to the equivalent interest rate charged on a second charge loan of similar quantum and duration to the average loan issued by the Group. We have employed sensitivity analysis to the key assumptions and have reviewed the appropriateness of the disclosures provided in accordance with IFRS 13 'Fair Value Measurement' and IFRS 7 'Financial Instruments: Disclosures', including the classification within the fair value hierarchy.</p>

Independent Auditor's Report to the Members of Barratt Developments PLC continued

Risk	How the scope of our audit responded to the risk
Impairment of goodwill and intangible assets The Group's assessment of impairment of goodwill and intangible assets is a judgemental process which requires estimates concerning the estimated future cash flows associated with the goodwill and brand assets held, the discount rates and the growth rate of revenue and costs to be applied in determining the value in use.	We challenged each of the key assumptions employed in the annual goodwill impairment test. This included reference to our internal valuation specialists' benchmarking of the discount rate employed, including its methodology and constituent inputs, comparison to independent market forecasts of revenue and cost growth in the housebuilding sector and an assessment of the Group's historic forecasting accuracy. We also performed sensitivity analysis in relation to the key inputs to the goodwill impairment test model and focused on the appropriateness of the disclosures provided in accordance with IAS 36 'Impairment of Assets'.

The Audit Committee's consideration of these risks is set out on page 57. The key sources of estimation uncertainty are set out on page 111.

Our audit procedures relating to these matters were designed in the context of our audit of the Financial Statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the Financial Statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £24 million, which is 6.1% of statutory pre-tax profit.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.48 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The entire Group is audited by one audit team, led by the Senior Statutory Auditor. The audit is performed centrally and includes all of the divisions which comprise the Group's housebuilding segment, the Group's commercial developments segment and the head office consolidation. We choose to visit eight of the Group's housebuilding divisions across each of the Group's six regions, selected on a rotational basis and with reference to size and complexity among other factors. We always visit each of the London divisions and we visit Wilson Bowden Developments Limited, which constitutes the Group's commercial developments segment. We consider that we obtain a better level of understanding of the business to underpin our robust audit approach by visiting a number of divisions rather than performing all of our work centrally from the Group's head office.

We audit all of the Group's subsidiaries which are subject to audit at a statutory materiality level, which in most cases is substantially lower than Group materiality.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Mark Goodey (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

9 September 2014

Financial Statements continued

Consolidated Income Statement

Year ended 30 June 2014

	Notes	2014 £m	2013 Before exceptional items (*restated) £m	2013 Exceptional items (note 4) £m	2013 (*restated) £m
Continuing operations					
Revenue	1, 2	3,157.0	2,606.2	-	2,606.2
Cost of sales		(2,627.6)	(2,247.0)	-	(2,247.0)
Gross profit		529.4	359.2	-	359.2
Administrative expenses		(119.6)	(106.5)	(2.8)	(109.3)
Profit from operations	5	409.8	252.7	(2.8)	249.9
Finance income	6	9.1	12.8	-	12.8
Finance costs	6	(68.8)	(81.1)	(79.3)	(160.4)
Net finance costs	6	(59.7)	(68.3)	(79.3)	(147.6)
Share of post-tax profit from joint ventures	15	40.6	7.7	(5.4)	2.3
Share of post-tax loss from associates	15	(0.1)	(0.1)	-	(0.1)
Profit before tax		390.6	192.0	(87.5)	104.5
Tax	8	(85.2)	(50.5)	20.7	(29.8)
Profit for the year		305.4	141.5	(66.8)	74.7
Profit for the year attributable to the owners of the Company		305.4	141.5	(66.8)	74.7
Profit for the year attributable to non-controlling interests	32	-	-	-	-
Earnings per share from continuing operations					
Basic	11	31.2p			7.7p
Diluted	11	30.4p			7.5p

* The Consolidated Income Statement has been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3).

The notes on pages 102 to 156 form an integral part of these Financial Statements.

Statements of Comprehensive Income

Year ended 30 June 2014

	Notes	2014 £m	Group 2013 (*restated) £m	2014 £m	Company 2013 (*restated) £m
Profit for the year		305.4	74.7	165.4	950.4
Other comprehensive income/(expense):					
Items that will not be reclassified to profit or loss					
Actuarial gain/(loss) on defined benefit pension scheme	28	3.5	(4.5)	3.5	(4.5)
Fair value adjustment on available for sale financial assets	17	0.7	(6.2)	-	-
Tax (charge)/credit relating to items not reclassified	18	(1.2)	2.3	(0.8)	0.9
Total items that will not be reclassified to profit or loss		3.0	(8.4)	2.7	(3.6)
Items that may be reclassified subsequently to profit or loss					
Amounts deferred in respect of effective cash flow hedges	31	(5.4)	(1.9)	(5.4)	(1.9)
Amounts reclassified to the Income Statement in respect of hedged cash flows	6, 31	11.7	6.7	11.7	6.7
Amounts reclassified to the Income Statement in respect of hedged cash flows no longer expected to occur – exceptional	4, 6	-	18.5	-	18.5
Tax charge relating to items that may be reclassified	18	(2.0)	(5.8)	(2.0)	(5.8)
Total items that may be reclassified subsequently to profit or loss		4.3	17.5	4.3	17.5
Total comprehensive income recognised for the year attributable to the owners of the Company		312.7	83.8	172.4	964.3
Total comprehensive income recognised for the year attributable to non-controlling interests	32	-	-	-	-

* The Statements of Comprehensive Income have been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3).

The notes on pages 102 to 156 form an integral part of these Financial Statements.

Statement of Changes in Shareholders' Equity

Group

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Own shares £m	Share-based payments £m	Retained earnings (*restated) £m	Total retained earnings (*restated) £m	Non-controlling interests (note 32) £m	Total equity (*restated) £m
At 1 July 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	-	-	-	-	-	-	74.7	74.7	-	74.7
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
Fair value adjustments on available for sale financial assets	-	-	-	-	-	-	(6.2)	(6.2)	-	(6.2)
Actuarial losses on pension scheme	-	-	-	-	-	-	(4.5)	(4.5)	-	(4.5)
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 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
Profit for the year	-	-	-	-	-	-	305.4	305.4	-	305.4
Amounts deferred in respect of effective cash flow hedges	-	-	-	(5.4)	-	-	-	-	-	(5.4)
Amounts reclassified to the Income Statement in respect of hedged cash flows	-	-	-	11.7	-	-	-	-	-	11.7
Fair value adjustments on available for sale financial assets	-	-	-	-	-	-	0.7	0.7	-	0.7
Actuarial gains on pension scheme	-	-	-	-	-	-	3.5	3.5	-	3.5
Tax on items taken directly to equity	-	-	-	(2.0)	-	-	(1.2)	(1.2)	-	(3.2)
Total comprehensive income recognised for the year ended 30 June 2014	-	-	-	4.3	-	-	308.4	308.4	-	312.7
Dividend payments	-	-	-	-	-	-	(55.9)	(55.9)	-	(55.9)
Issue of shares	0.5	1.4	-	-	-	-	(0.4)	(0.4)	-	1.5
Share-based payments	-	-	-	-	-	9.0	-	9.0	-	9.0
Disposal of own shares	-	-	-	-	0.4	-	-	0.4	-	0.4
Transfer of share-based payments charge for exercised/lapsed options	-	-	-	-	-	(7.8)	7.8	-	-	-
Non-controlling interest arising on acquisition of land in a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	8.0	8.0
Tax on share-based payments	-	-	-	-	-	1.7	3.4	5.1	-	5.1
At 30 June 2014	98.5	214.8	1,109.0	(15.6)	(3.2)	24.6	1,917.9	1,939.3	8.0	3,354.0

* The Consolidated Income Statement and Statements of Comprehensive Income have been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3).

The notes on pages 102 to 156 form an integral part of these Financial Statements.

Statement of Changes in Shareholders' Equity

Company

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Own shares £m	Share-based payments £m	Retained earnings (*restated) £m	Total retained earnings (*restated) £m	Total equity (*restated) £m
At 1 July 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	-	-	-	-	-	-	950.4	950.4	950.4
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	-	-	-	-	-	-	(4.5)	(4.5)	(4.5)
Tax on items taken directly to equity	-	-	-	(5.8)	-	-	0.9	0.9	(4.9)
Total comprehensive expense 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 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
Profit for the year	-	-	-	-	-	-	165.4	165.4	165.4
Amounts deferred in respect of effective cash flow hedges	-	-	-	(5.4)	-	-	-	-	(5.4)
Amounts reclassified to the Income Statement in respect of hedged cash flows	-	-	-	11.7	-	-	-	-	11.7
Actuarial gains on pension scheme	-	-	-	-	-	-	3.5	3.5	3.5
Tax on items taken directly to equity	-	-	-	(2.0)	-	-	(0.8)	(0.8)	(2.8)
Total comprehensive income recognised for the year ended 30 June 2014	-	-	-	4.3	-	-	168.1	168.1	172.4
Dividend payments	-	-	-	-	-	-	(55.9)	(55.9)	(55.9)
Issue of shares	0.5	1.4	-	-	-	-	(0.4)	(0.4)	1.5
Share-based payments	-	-	-	-	-	9.0	-	9.0	9.0
Disposal of own shares	-	-	-	-	0.4	-	-	0.4	0.4
Transfer of share-based payments charge for exercised/lapsed options	-	-	-	-	-	(7.8)	1.7	(6.1)	(6.1)
Tax on share-based payments	-	-	-	-	-	0.5	0.9	1.4	1.4
At 30 June 2014	98.5	214.8	1,109.0	(15.6)	(3.2)	18.1	2,539.4	2,554.3	3,961.0

* The Consolidated Income Statement and Statements of Comprehensive Income have been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3).

The notes on pages 102 to 156 form an integral part of these Financial Statements.

Financial Statements continued

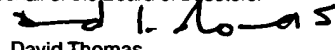
Balance Sheets

At 30 June 2014

	Notes	2014 £m	Group 2013 £m	2014 £m	Company 2013 £m
Assets					
Non-current assets					
Other intangible assets	13	100.0	100.0	-	-
Goodwill	12	792.2	792.2	-	-
Property, plant and equipment	14	6.1	3.4	2.3	0.9
Investments	16	-	-	3,110.5	3,110.4
Investments accounted for using the equity method	15	199.6	123.5	25.6	25.8
Retirement benefit assets	28	3.1	-	3.1	-
Available for sale financial assets	17	121.6	128.4	-	-
Trade and other receivables	20	6.2	4.4	-	-
Deferred tax assets	18	19.6	92.1	27.9	46.6
Derivative financial instruments – swaps	26	-	4.1	-	4.1
		1,248.4	1,248.1	3,169.4	3,187.8
Current assets					
Inventories	19	3,508.6	3,209.8	-	-
Available for sale financial assets	17	0.8	1.3	-	-
Trade and other receivables	20	111.8	74.8	812.1	971.9
Cash and cash equivalents	23	274.7	294.4	259.0	274.0
Derivative financial instruments – swaps	26	-	25.6	-	25.6
Current tax assets		-	0.4	-	0.8
		3,895.9	3,606.3	1,071.1	1,272.3
Total assets		5,144.3	4,854.4	4,240.5	4,460.1
Liabilities					
Non-current liabilities					
Loans and borrowings	25	(161.7)	(166.6)	(134.4)	(136.8)
Trade and other payables	21	(447.3)	(378.1)	-	-
Retirement benefit obligations	28	-	(13.4)	-	(13.4)
Derivative financial instruments – swaps	26	(21.2)	(27.1)	(21.2)	(27.1)
		(630.2)	(585.2)	(155.6)	(177.3)
Current liabilities					
Loans and borrowings	25	(38.4)	(181.8)	(56.8)	(226.5)
Trade and other payables	21	(1,112.0)	(1,013.8)	(67.1)	(217.6)
Derivative financial instruments – swaps	26	-	(0.4)	-	(0.4)
Current tax liabilities		(9.7)	-	-	-
		(1,160.1)	(1,196.0)	(123.9)	(444.5)
Total liabilities		(1,790.3)	(1,781.2)	(279.5)	(621.8)
Net assets		3,354.0	3,073.2	3,961.0	3,838.3
Equity					
Share capital	29	98.5	98.0	98.5	98.0
Share premium		214.8	213.4	214.8	213.4
Merger reserve		1,109.0	1,109.0	1,109.0	1,109.0
Hedging reserve		(15.6)	(19.9)	(15.6)	(19.9)
Retained earnings		1,939.3	1,672.7	2,554.3	2,437.8
Equity attributable to the owners of the Company		3,346.0	3,073.2	3,961.0	3,838.3
Non-controlling interests	32	8.0	-	-	-
Total equity		3,354.0	3,073.2	3,961.0	3,838.3

The Financial Statements of Barratt Developments PLC (registered number 604574) were approved by the Board of Directors and authorised for issue on 9 September 2014. Signed on behalf of the Board of Directors.


Mark Clare
Group Chief Executive


David Thomas
Group Finance Director

The notes on pages 102 to 156 form an integral part of these Financial Statements.

Cash Flow Statements

Year ended 30 June 2014

	Notes	2014 £m	Group 2013 £m	2014 £m	Company 2013 £m
Net cash inflow/(outflow) from operating activities	33	242.3	165.8	18.5	(330.2)
Cash flows from investing activities					
Purchase of property, plant and equipment	14	(4.7)	(2.0)	(2.3)	(0.4)
Proceeds on sale of property, plant and equipment		-	4.0	-	-
Cash outflow arising on acquisition of land in a non-wholly controlled subsidiary		(0.9)	-	-	-
Increase in investments in subsidiaries	16	-	-	-	(500.0)
(Increase)/decrease in investments accounted for using the equity method	15	(59.2)	(9.9)	0.2	(25.8)
Dividends received from investments accounted for using the equity method	15	23.6	-	-	-
Investment in property fund	17	1.3	(1.3)	-	-
Interest received		3.7	0.7	58.1	35.2
Dividends received from subsidiaries		-	-	160.0	1,024.5
Net cash (outflow)/inflow from investing activities		(36.2)	(8.5)	216.0	533.5
Cash flows from financing activities					
Dividends paid	9	(55.9)	-	(55.9)	-
Disposal of own shares		0.4	1.4	0.4	1.4
Proceeds from issue of share capital		1.5	2.1	1.5	2.1
Hedging termination costs		-	(0.3)	-	(0.3)
Make-whole fee on redemption of private placement notes	4	(53.0)	-	(53.0)	-
Interest rate swap cancellation costs	4	-	(18.5)	-	(18.5)
Other fees related to amendment of financing arrangements		-	(14.7)	-	(14.7)
Loan (repayments)/drawdowns		(118.8)	16.8	(142.5)	30.6
Net cash (outflow)/inflow from financing activities		(225.8)	(13.2)	(249.5)	0.6
Net (decrease)/increase in cash and cash equivalents		(19.7)	144.1	(15.0)	203.9
Cash and cash equivalents at the beginning of the year		294.4	150.3	274.0	70.1
Cash and cash equivalents at the end of the year	23	274.7	294.4	259.0	274.0

The notes on pages 102 to 156 form an integral part of these Financial Statements.

Accounting Policies

Year ended 30 June 2014

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 Strategic Report on pages 2 to 41. 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 38 to 41 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 27 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 36 to 37, 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.

The Group has total committed facilities and private placement notes of £848.4m. The maturity of these facilities range from June 2016 to July 2021, with £150m of the revolving credit facility maturing in June 2016 and £550m of the revolving credit facility maturing in May 2018. The committed facilities and private placement notes provide appropriate headroom above our current forecast debt requirements.

In addition to these committed borrowing facilities the Group has secured £32.4m of financing from the Government's 'Get Britain Building' and 'Growing Places Fund' schemes. These funds are repayable between 31 December 2014 and 31 March 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 Financial Statements.

Adoption of new and revised standards

In the year ended 30 June 2014, the Group has adopted:

- IFRS 13 'Fair Value Measurement'; and
- IAS 19 (Revised) 'Employee Benefits'.

The adoption of IFRS 13 'Fair Value Measurement' has resulted in a review of the way the Group values financial assets and liabilities measured at fair value (see notes 24, 25 and 27). In accordance with IFRS 13, the fair value of financial assets and financial liabilities now includes an assessment of credit risk in respect of the counter party and own credit risk respectively.

In the year ended 30 June 2013, the Group had financial assets that included foreign currency swaps with a third party financial institution. The Group has a net settlement arrangement with the financial institution in respect of the foreign currency swaps and interest rate swaps. Due to this net settlement arrangement the Group has assessed credit risk associated with the foreign currency swap to be nil. Therefore, the Group's foreign currency swaps financial assets fair values have not been restated for the comparative prior year.

The financial liabilities at fair value relate to interest rate swaps and foreign currency swaps with third party financial institutions. In accordance with IFRS 13 'Fair Value Measurement' the Group has undertaken an assessment of its own credit risk. When assessing the Group's own credit risk the Directors have considered the financial covenants, which the Group is party to as part of its senior lending facilities. Following a review of these financial covenants the Directors believe that the Group has sufficient resources to fulfil its interest rate swap and foreign currency swap obligations in the future and the likelihood of default to be remote. Therefore, the Group has assessed its credit risk as nil and has not restated its financial liabilities fair values for the comparative prior year.

The impact to the Group of adopting IAS 19 (Revised) 'Employee Benefits' has been a change in the calculation of the interest cost charged to the profit and loss on employee benefits. In accordance with IAS 19 (Revised) 'Employee Benefits', interest is now calculated on the net defined benefit asset/liability. The Group interest expense has been restated from £0.5m to £0.8m for the comparative year (see note 3). The increased finance cost has resulted in an equivalent credit being recognised in other comprehensive income. There has been no impact on the defined benefit asset/liability.

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 Income Statement. The Group's share of its investments, assets and liabilities is accounted for on a directly proportional basis in the Group's 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.

Accounting Policies continued

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 but 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 being housebuilding and commercial developments. 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.

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.

Accounting Policies continued

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 Statements of Comprehensive Income. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset.

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 'Borrowing costs' (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 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

Secured loans

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 17.

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.

Residential property fund

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.

Accounting Policies continued

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 26 and 27 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 24, 25, 26 and 27 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 2014 and later periods.

IFRIC 21 'Levies', Amendments to IAS 36 'Recoverable amount Disclosures for Non-Financial Assets', Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting', Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities', Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities', IAS 27 (Revised) 'Separate Financial Statements' and the suite of five standards on consolidation, joint arrangements and other interests in other entities (IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011)) have been endorsed by the EU.

Amendments to IAS 27 'Equity Method in Separate Financial Statements', IFRS 9 'Financial Instruments' as issued in 2009 and subsequently amended in 2010 and 2014, IFRS 14 'Regulatory Deferral Accounts', IFRS 15 'Revenue from Contracts with Customers', Amendments to IAS 16 and IAS 41 'Bearer Plants', Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation', Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations', Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions', Annual Improvements 2010-2012 and Annual Improvements 2011-2013 have 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' was reissued in October 2010 as the second step in the IASB project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. During the year the IASB reissued IFRS 9 to include hedge accounting and details on early adoption. The final revision to the standard incorporating the impairment, classification and measurement requirements was issued by the IASB in July 2014. The Group is currently assessing the impact of the revisions on the Group's results and financial position.
- IFRS 15 'Revenue from Contracts with Customers' was issued on 28 May 2014. This standard sets out revenue recognition conditions for the Group. The impact of this standard on the Group is being assessed.
- Amendment to IFRS 11 'Accounting for Acquisition of Interest in Joint Operations'. The amendment requires companies to apply IFRS 'Business Combinations' acquisition and disclosure requirements to investments in Joint Operations. The only exemption from this is if the formation of the Joint Operation coincides with the formation of the business.

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

- The suite of five standards on consolidation, joint arrangements and other interests in other entities (IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011)) will apply to the Group from 1 July 2014. These standards will not have a material impact on the Group.
- Amendments 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.
- IFRS 14 'Regulatory Deferral Accounts' has not yet been endorsed by the EU. This will not have an impact on the Group.
- Amendments to IAS 27 'Equity Method in Separate Financial Statements' reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. These amendments have not yet been endorsed by the EU and have not been early adopted by the Group. These amendments are not expected to impact the Group.
- IAS 27 (Revised) 'Separate Financial Statements' will apply to the Group from 1 July 2014. None of the 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 the amendments are expected to impact the Group.
- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities' will apply to the Group from 1 July 2014. These amendments give guidance on exemptions from consolidating certain subsidiaries for investment entities. The amendments are not expected to impact the Group.
- Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets' will apply to the Group from 1 July 2014. This amendment primarily reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed. The amendments are not expected to impact the Group.
- Amendments to IAS 39 'Novation of Derivative and Continuation of Hedge Accounting' will apply to the Group from 1 July 2014. This amendment confirms that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. The amendments are not expected to impact the Group.
- IFRIC 21 'Levies' provides guidance on when to recognise a liability for a levy imposed by a government and will apply to the Group from 1 July 2014. This is not expected to impact the Group.
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation' has not yet been endorsed by the EU and has not been early adopted by the Group. None of these amendments are expected to impact the Group.
- Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions' has not yet been endorsed by the EU and has not been early adopted by the Group. This amendment is not expected to impact the Group.
- The Annual Improvements 2010-2012 and 2011-2013 Cycles includes amendments to a number of different accounting standards. These amendments have not yet been endorsed by the EU and have not been early adopted by the Group. None of these amendments are expected to impact the Group.
- Amendments to IAS 16 and IAS 41 'Bearer Plants' have not yet been endorsed by the EU and have not been early adopted by the Group. These amendments are not expected to impact the Group.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

Critical accounting judgements

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

Key sources of estimation uncertainty

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

Carrying value of land and work in progress

The Group's principal activity is housebuilding and commercial development. The majority of the development activity is not contracted prior to the development commencing. Accordingly, the Group has in its Balance Sheet at 30 June 2014 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.

The Group conducts 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.

During the year, due to performance variations upon individual housebuilding sites, there were gross impairment charges of £26.5m (2013: £25.7m) and gross impairment reversals of £22.0m (2013: £22.5m) resulting in a net inventory impairment of £4.5m (2013: £3.2m) included within profit from operations for housebuilding sites for development. In addition there was a charge of £4.4m (2013: £9.1m) related to housebuilding sites not currently under development due to changes in planning status and the viability of these sites.

There was also a gross impairment charge of £0.4m (2013: £0.6m) and a gross impairment reversal of £0.4m (2013: £0.1m) for the commercial developments business, resulting in a net inventory impairment of £nil (2013: £0.5m), 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. During the year the Group benefitted from stronger market conditions. If the UK housing market were to change beyond management expectations in the future, in particular with regards to the assumptions around 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.

Available for sale financial assets

The Group holds available for sale financial assets principally comprising interest free loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property, which 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.

The interrelationship between these assumptions, particularly those related to estimated market value and estimated repayment profile, means that there is not a direct correlation between house price inflation and the valuation of the Group's available for sale financial assets. During the year, the levels of house price inflation and redemptions have been in line with those expected in the fair value calculation. Accordingly, there has been no significant change in the Balance Sheet valuation due to the improved market. At 30 June 2014, the total asset recognised on the Balance Sheet in relation to these secured loans was £122.4m (2013: £128.4m), with the reduction primarily due to redemptions.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty continued

Goodwill and intangible assets impairment review

The impairment review for the goodwill of the housebuilding business and the Group's indefinite life brand, David Wilson Homes, requires an estimation of the value-in-use of the housebuilding segment as defined in notes 12 and 13. 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 on the average capital structure of the Group, 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 2014 was £792.2m and the indefinite life brands was £100.0m with no impairment recognised during the year ended 30 June 2014.

The conclusion of this impairment review was that given the current position of the housebuilding segment and the expectations as to its future performance based upon current forecasts for sales volumes and expected changes in both selling prices and costs to complete, the housebuilding segment's goodwill and intangible assets were not impaired. The recoverable value of goodwill and intangible assets exceeded its carrying value by £1,213.2m (2013: £1,140.6m).

If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reducing by 3.3% per annum (2013: 3.8% per annum) or the appropriate discount rate were to increase by 2.9% (2013: 2.6%) and all other variables were held constant, then the recoverable value of goodwill and intangible assets would equal its carrying value.

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

The Group holds a joint venture investment of £25.6m (2013: £25.8m) 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.

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 the 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 for 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.

Defined benefit pension scheme

The Directors engage a qualified independent actuary to calculate the Group's asset in respect of its defined benefit pension scheme. In calculating this asset, 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 asset may differ from that included in these Financial Statements.

The Group has obtained legal advice on the rights to the Group's defined benefit pension scheme's assets after the death of the last member. Based on this advice, the Group has concluded that it is appropriate to recognise an asset related to this scheme.

Deferred tax assets

At 30 June 2014, the Group recognised a net deferred tax asset of £19.6m comprising gross deferred tax assets of £43.5m and gross deferred tax liabilities of £23.9m. £19.7m of the gross deferred tax assets relate to losses that arose during preceding years, predominantly as a result of the refinancing and land impairments, which 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.

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 (2013: £137.0m) 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 the future any changes in fair value of the swaps would be recognised in the Consolidated Income Statement, rather than in equity. During the year ended 30 June 2014, there was a gain of £7.7m (2013: £6.9m) included in equity related to these swaps.

In addition, the Group has US\$80.0m (2013: US\$246.6m) 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 Consolidated Income Statement, rather than equity. During the year ended 30 June 2014, there was a loss of £7.3m (2013: gain of £0.7m) included in equity related to these swaps.

Notes to the Financial Statements

1. Revenue

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

	Notes	2014 £m	2013 £m
Sale of goods		2,997.1	2,442.2
Contract accounting revenue		159.9	164.0
Revenue as stated in the Consolidated Income Statement		3,157.0	2,606.2
Lease income	34	1.8	2.6
Finance income	6	9.1	12.8
Forfeit deposits		0.5	0.7
Other income		35.1	19.9
Total revenue		3,203.5	2,642.2

Sale of goods includes £302.1m (2013: £517.2m) 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 £218.4m (2013: £304.9m).

Other income principally comprises the sale of freehold reversions.

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	2014 Total Units	House- building Units	Commercial developments Units	2013 Total (*restated) Units
Residential completions[^]	14,191	-	14,191	13,246	-	13,246
Consolidated Income Statement	£m	£m	£m	£m	£m	£m
Revenue	3,142.6	14.4	3,157.0	2,592.6	13.6	2,606.2
Cost of sales	(2,616.9)	(10.7)	(2,627.6)	(2,236.9)	(10.1)	(2,247.0)
Gross profit	525.7	3.7	529.4	355.7	3.5	359.2
Administrative expenses – non-exceptional	(114.9)	(4.7)	(119.6)	(103.0)	(3.5)	(106.5)
Profit/(loss) from operations before exceptional items	410.8	(1.0)	409.8	252.7	-	252.7
Administrative expenses – exceptional	-	-	-	(2.8)	-	(2.8)
Profit/(loss) from operations	410.8	(1.0)	409.8	249.9	-	249.9
Share of post-tax profit/(loss) from joint ventures and associates – non-exceptional	40.7	(0.2)	40.5	7.7	(0.1)	7.6
Exceptional loss on joint ventures	-	-	-	-	(5.4)	(5.4)
Profit/(loss) from operations including post-tax profit/(loss) from joint ventures and associates	451.5	(1.2)	450.3	257.6	(5.5)	252.1
Finance income			9.1			12.8
Finance costs – non-exceptional			(68.8)			(81.1)
Finance costs – exceptional			-			(79.3)
Profit before tax			390.6			104.5
Tax			(85.2)			(29.8)
Profit for the year from continuing operations			305.4			74.7

* The Consolidated Income Statement has been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3).

[^] Residential completions exclude joint venture completions of 647 (2013: 417) in which the Group has an interest.

2. Segmental analysis (continued)

			2014		2013	
	House- building £m	Commercial developments £m	Total £m	House- building £m	Commercial developments £m	Total £m
Balance Sheet						
Segment assets	4,833.4	51.0	4,884.4	4,442.0	60.1	4,502.1
Elimination of intercompany balances			(34.4)			(34.6)
			4,850.0			4,467.5
Deferred tax assets			19.6			92.1
Current tax assets			-			0.4
Cash and cash equivalents			274.7			294.4
Consolidated total assets			5,144.3			4,854.4
Segment liabilities	(1,561.5)	(53.4)	(1,614.9)	(1,425.2)	(42.2)	(1,467.4)
Elimination of intercompany balances			34.4			34.6
			(1,580.5)			(1,432.8)
Loans and borrowings			(200.1)			(348.4)
Current tax liabilities			(9.7)			-
Consolidated total liabilities			(1,790.3)			(1,781.2)
Other information	£m	£m	£m	£m	£m	£m
Capital additions	4.7	-	4.7	2.0	-	2.0
Depreciation	2.0	-	2.0	1.6	-	1.6

3. Restatement of the comparative year arising on the adoption of IAS 19 (Revised) 'Employee Benefits'

In the year ended 30 June 2014, the Group has adopted IAS 19 (Revised) 'Employee Benefits'. The impact on the Group and the Company of adopting this standard was a change in the calculation of the interest cost charged to profit and loss on employee benefits. In accordance with IAS 19 (Revised) 'Employee Benefits' interest is now calculated on the net defined benefit pension asset/liability. The Group and Company interest expense within finance costs has been restated for the comparative year from £0.5m to £0.8m. The increased finance cost has resulted in an equivalent credit recognised in other comprehensive income in the Statements of Comprehensive Income. There has been no impact on the defined benefit asset/liability.

4. Exceptional items

In the year ended 30 June 2014, there were no 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 retained 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 the refinancing the Group incurred fees of £14.9m, which are being amortised over the life of the facilities. In addition, the Group 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 was recognised as an exceptional charge in the Consolidated Income Statement as the Group was irrevocably committed to this repayment as at 30 June 2013.

The Group 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.

Notes to the Financial Statements continued

5. Profit from operations

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

	Notes	2014 £m	2013 £m
Staff costs	10	308.6	262.0
Government grants		(1.2)	(7.4)
Depreciation of property, plant and equipment	14	2.0	1.6
Profit on disposal of property, plant and equipment		-	0.6
Lease income	34	(1.8)	(2.6)
Operating lease charges			
- hire of plant, machinery and vehicles		27.0	22.1
- other		16.1	13.8

Government grants of £0.1m (2013: £7.8m) were received in the year relating to Government initiatives including the National Affordable Housing Programme and the Affordable Homes Programme. Grant income of £1.2m (2013: £7.4m) was recognised in the Consolidated Income Statement in relation to house sales completed under these initiatives.

Administrative expenses before exceptional costs of £119.6m (2013: £106.5m) includes sundry income of £35.6m (2013: £20.6m) 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 75 and in note 10.

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

	2014 £000	2013 £000
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Parent Company and Consolidated Financial Statements	70	67
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	265	245
Total audit fees	335	312
Audit-related assurance services	62	93
Taxation compliance services	98	97
Other taxation advisory services	62	138
Corporate finance services	60	35
Other services	8	10
Total fees for other services	290	373
Total fees related to the Company and its subsidiaries	625	685

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 60. 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. Other taxation advisory services comprise advice on land acquisitions and disposals; and other transactions in the normal course of trading.

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:

	2014 £000	2013 £000
The audit of the Group's joint ventures pursuant to legislation	108	102
Other services	16	118
Total fees related to joint ventures	124	220

6. Net finance costs

Recognised in the Consolidated Income Statement

	Notes	2014 £m	2013 (*restated) £m
Finance income on short term bank deposits		(0.2)	(0.1)
Imputed interest on available for sale financial assets	17	(5.8)	(10.2)
Other interest receivable		(3.1)	(2.5)
Finance income		(9.1)	(12.8)
Interest on loans and borrowings		21.3	37.7
Imputed interest on deferred term payables		35.0	26.5
Finance costs related to employee benefits	28	0.3	0.8
Amounts reclassified to the Income Statement in respect of hedged cash flows	31	11.7	6.7
Foreign exchange (gains)/losses on US Dollar debt	7	(5.9)	2.8
Amortisation of facility fees		3.5	4.6
Imputed interest on Kickstart equity funding		-	(0.9)
Other interest payable		2.9	2.9
Finance costs before exceptional items		68.8	81.1
Net finance costs before exceptional items		59.7	68.3
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	4	-	79.3
Total finance costs		68.8	160.4
Net finance costs		59.7	147.6

* The Consolidated Income Statement has been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3).

Recognised in equity

	Notes	2014 £m	2013 £m
Amounts deferred in respect of effective cash flow hedges	31	5.4	1.9
Total fair value losses on cash flow swaps included in equity		5.4	1.9
Amounts reclassified to the Income Statement in respect of hedged cash flows	31	(11.7)	(6.7)
Amounts reclassified to the Income Statement in respect of hedged cash flows no longer expected to occur – exceptional	4	-	(18.5)
Total fair value losses on cash flow swaps transferred to equity		(11.7)	(25.2)

Notes to the Financial Statements continued

7. Financial instruments gains and losses

The net (gains)/losses recorded in the Consolidated Income Statement, in respect of financial instruments (excluding interest shown in note 6), were as follows:

	Notes	2014 £m	2013 £m
Loans and receivables			
Impairment of trade receivables	20	2.6	3.2
Non-current available for sale financial assets			
Net profit transferred on sale		(2.4)	(0.2)
Net (reversal)/impairment of available for sale financial assets	17	(2.8)	6.1
Current available for sale financial assets			
Net (profit)/loss transferred on sale		-	-
Other financial liabilities			
Foreign exchange (gains)/losses on US Dollar debt	6	(5.9)	2.8
Transfers from hedged items			
Transfer from equity on currency cash flow hedges		5.9	(2.8)

8. Tax

Analysis of the tax charge for the year

	Notes	2014 £m	2013 £m
Current tax			
UK corporation tax for the year		13.6	(0.9)
Adjustment in respect of previous years		0.6	-
		14.2	(0.9)
Deferred tax			
Origination and reversal of temporary differences		69.8	25.2
Adjustment in respect of previous years		(0.7)	2.2
Impact of reduction in corporation tax rate		1.9	3.3
	18	71.0	30.7
Tax charge for the year		85.2	29.8

In addition to the amount charged to the Consolidated Income Statement, a net current and deferred tax credit of £1.9m (2013: £4.2m) was recognised directly in equity.

All profits of the Group are subject to UK corporation tax.

Factors affecting the tax charge for the year

The tax rate assessed for the year is lower (2013: higher) than the standard effective rate of corporation tax in the UK of 22.50% (2013: 23.75%).

The differences are explained below:

	2014 £m	2013 (*restated) £m
Profit before tax	390.6	104.5
Profit before tax multiplied by the standard rate of corporation tax of 22.50% (2013: 23.75%)	87.9	24.8
Effects of:		
Other items including non-deductible expenses	1.3	1.9
Use of previously unrecognised losses	(3.2)	-
Additional tax relief for land remediation costs	(1.5)	(1.4)
Adjustment in respect of previous years	(0.1)	2.2
Tax in respect of joint ventures	(1.1)	(0.2)
Tax on share-based payments	-	(0.8)
Impact of change in tax rate on deferred tax asset	1.9	3.3
Tax charge for the year	85.2	29.8

* The Consolidated Income Statement has been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3).

8. Tax (continued)

A number of changes to the UK corporation tax system were enacted in the Finance Act 2013 on 17 July 2013, including a reduction in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and from 21% to 20% from 1 April 2015. The reductions from 23% were substantively enacted during the period and have therefore been reflected in the accounts for this year. Accordingly, the current year tax charge has been provided for at an effective rate of 22.50% (2013: 23.75%) and the closing deferred tax asset has been provided in these Financial Statements at a rate of between 20% and 21% (2013: 23%) depending upon when the asset is expected to reverse.

9. Dividends

Amounts recognised as distributions to equity holders in the period:	2014 £m	2013 £m
Final dividend for the year ended 30 June 2013 of 2.5p (2012: nil pence) per share	24.5	–
Interim dividend for the year ended 30 June 2014 of 3.2p (2013: nil pence) per share	31.4	–
Total dividends distributed to equity holders in the year	55.9	–
	2014 £m	2013 £m
Proposed final dividend for the year ended 30 June 2014 of 7.1p (2013: 2.5p) per share	69.7	24.4

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. The cost has been calculated based on the issued share capital at 30 June 2014 and has not been included as a liability at 30 June 2014.

10. 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 62 to 86, which form part of these Financial Statements. A summary of key management remuneration is as follows:

	2014 £m	2013 £m
Salaries and fees (including pension compensation)	2.5	2.5
Social security costs ¹	1.7	2.3
Performance bonus	2.3	2.3
Benefits	0.1	0.1
Share-based payments ²	2.6	1.3
	9.2	8.5

1 Excluded from the Executive Directors and Non-Executive Directors single figure of remuneration tables on page 75.

2 IFRS 2 'Share-Based Payment' charge attributable to key management.

	2014 Number	Group 2013 Number
Housebuilding – average staff numbers (excluding subcontractors, including Directors)	5,337	4,755
Commercial developments – average staff numbers (excluding subcontractors, including Directors)	28	26

	Notes	2014 £m	Group 2013 £m	2014 £m	Company 2013 £m
Wages and salaries including bonuses (including Directors)		259.5	221.3	6.8	6.6
Redundancy costs		0.2	0.2	–	–
Social security costs		32.1	29.1	1.9	2.3
Other pension costs	28	7.8	7.0	0.1	0.1
Share-based payments	30	9.0	4.4	2.7	1.2
Total staff costs	5	308.6	262.0	11.5	10.2

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

Notes to the Financial Statements continued

11. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £305.4m (2013: £74.7m (*restated)) 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 979.1m (2013: 973.7m) shares.

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £305.4m (2013: £74.7m (*restated)) 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 1,004.7m (2013: 998.7m) shares.

The earnings per share from continuing operations were as follows:

	2014	2013 (*restated)
	pence	pence
Basic earnings per share	31.2	7.7
Adjusted basic earnings per share	31.2	14.5
Diluted earnings per share	30.4	7.5
Adjusted diluted earnings per share	30.4	14.2

* The Consolidated Income Statement has been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3).

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

	£m	Basic pence	2014 Diluted pence	(*restated) £m	Basic (*restated) pence	2013 Diluted (*restated) pence
Profit for basic and diluted earnings per share	305.4	31.2	30.4	74.7	7.7	7.5
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	0.5	0.5
Less: tax effect of above items	-	-	-	(20.7)	(2.1)	(2.0)
Earnings for basic and adjusted diluted earnings per share	305.4	31.2	30.4	141.5	14.5	14.2

* The Consolidated Income Statement has been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3).

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

12. Goodwill

	Group £m
Cost	
At 1 July 2012, 30 June 2013 and 30 June 2014	816.7
Accumulated impairment losses	
At 1 July 2012, 30 June 2013 and 30 June 2014	24.5
Carrying amount	
At 30 June 2013 and 30 June 2014	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 2014 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 12.6% (2013: 12.2%) 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 2014 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 prior 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. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.

The conclusion of this impairment review was that given the current position of the housebuilding segment and the expectations as to its future performance based upon current forecasts for sales volumes and expected changes in both selling prices and costs to complete, the housebuilding segment's goodwill and intangible assets were not impaired. The recoverable value of goodwill and intangible assets exceeded its carrying value by £1,213.2m (2013: £1,140.6m).

If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reducing by 3.3% per annum (2013: 3.8% per annum) or the appropriate discount rate were to increase by 2.9% (2013: 2.6%) 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 112.

Notes to the Financial Statements continued

13. Other intangible assets

	Group Brands £m
Cost	
At 1 July 2012, 30 June 2013 and 30 June 2014	107.0
Amortisation	
At 1 July 2012, 30 June 2013 and 30 June 2014	7.0
Carrying amount	
At 30 June 2013 and 30 June 2014	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 2014, an impairment review was conducted using the calculations and assumptions as explained in note 12. 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 112.

14. Property, plant and equipment

	Group			Company		
	Property £m	Plant and equipment £m	Total £m	Property £m	Plant and equipment £m	Total £m
Cost						
At 1 July 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
Additions	0.1	4.6	4.7	-	2.3	2.3
Disposals	(0.7)	(2.2)	(2.9)	(0.7)	(2.0)	(2.7)
At 30 June 2014	2.8	15.9	18.7	0.2	6.5	6.7
Depreciation						
At 1 July 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
Charge for the year	0.1	1.9	2.0	-	0.9	0.9
Disposals	(0.7)	(2.2)	(2.9)	(0.7)	(2.0)	(2.7)
At 30 June 2014	2.6	10.0	12.6	0.2	4.2	4.4
Net book value						
At 30 June 2013	0.2	3.2	3.4	-	0.9	0.9
At 30 June 2014	0.2	5.9	6.1	-	2.3	2.3

Authorised future capital expenditure that was contracted but not provided for in these Financial Statements amounted to £0.4m (2013: £0.7m).

15. Investments accounted for using the equity method

During the year, the Group entered into the following new joint venture arrangements: Enderby Wharf LLP, Nine Elms LLP, Brooklands Milton Keynes LLP, Sovereign BDW (Newbury) LLP, BDWZest Developments LLP, BDWZest LLP, ZestBDW LLP and Barratt Wates (Lindfield) Limited.

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

Joint venture	Percentage owned	Country of registration	Principal activity
Barratt Wates (Horley) Limited ¹	78.5%	England and Wales	Housebuilding
Ravenscraig Limited ²	33.3%	Scotland	Commercial development
DWH/Wates (Thame) Limited	50.0%	England and Wales	Housebuilding
Barratt Metropolitan LLP	50.0%	England and Wales	Housebuilding
Wandsworth Parkside LLP	50.0%	England and Wales	Housebuilding
Alie Street LLP	50.0%	England and Wales	Housebuilding
Queensland Road LLP	50.0%	England and Wales	Housebuilding
Barratt Wates (East Grinstead) Limited	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
BK Scotswood LLP ⁴	50.0%	England and Wales	Holding company
Rose Shared Equity LLP	50.0%	England and Wales	Investment entity
Enderby Wharf LLP	50.0%	England and Wales	Housebuilding
Nine Elms LLP	50.0%	England and Wales	Housebuilding
Brooklands Milton Keynes LLP	50.0%	England and Wales	Housebuilding
Sovereign BDW (Newbury) LLP	50.0%	England and Wales	Housebuilding
BDWZest Developments LLP	50.0%	England and Wales	Holding company
BDWZest LLP	50.0%	England and Wales	Holding company
ZestBDW LLP	50.0%	England and Wales	Holding company
Barratt Wates (Lindfield) Limited	50.0%	England and Wales	Housebuilding

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 prior year, the Group acquired an additional 16.7% interest in BK Scotswood LLP (formerly BKY LLP).

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, Queensland Road LLP, Nine Elms LLP, BDWZest Developments LLP, BDWZest LLP and ZestBDW LLP prepare financial statements to 31 March. Barratt Osborne Bexley LLP prepares financial statements to 30 September and Barratt Osborne Worthing LLP prepares financial statements to 30 April. BK Scotswood LLP⁴ prepares financial statements to 31 December. Management financial information is available for all joint ventures with non-coterminous year ends as at 30 June 2014 and 30 June 2013.

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.

Notes to the Financial Statements continued

15. Investments accounted for using the equity method (continued)

Joint ventures and associates

	Notes	2014 £m	Group 2013 £m	2014 £m	Company 2013 £m
At 1 July		123.5	85.6	25.8	-
Net increase/(decrease) in investments in joint ventures		59.2	36.0	(0.2)	25.8
Dividends received from joint ventures		(23.6)	-	-	-
Net decrease in investments in associates		-	(0.3)	-	-
Impairment of joint venture investment	4	-	(5.4)	-	-
Share of post-tax profit for the year from joint ventures		40.6	7.7	-	-
Share of post-tax loss for the year from associates		(0.1)	(0.1)	-	-
At 30 June		199.6	123.5	25.6	25.8

Joint ventures

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:

	2014 £m	Group 2013 £m	2014 £m	Company 2013 £m
Current assets	402.1	190.3	-	-
Non-current assets	27.3	29.9	25.6	25.8
Current liabilities	(178.6)	(51.1)	-	-
Non-current liabilities	(207.0)	(162.3)	-	-
Net assets of joint ventures	43.8	6.8	25.6	25.8

The Group has made loans of £164.6m (2013: £122.2m) 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 net loans to the joint ventures calculated using the Group's ownership share of £160.4m (2013: £125.5m). The Company has made loans to its joint ventures of £25.6m (2013: £25.8m).

The Group's and Company's share of the joint ventures' income and expenses during the year are shown below:

	2014 £m	Group 2013 £m	2014 £m	Company 2013 £m
Income	166.1	67.4	-	-
Expenses	(124.0)	(57.7)	-	-
Tax	42.1	9.7	-	-
	(1.5)	(2.0)	-	-
Share of post-tax profit from joint ventures before exceptional items	40.6	7.7	-	-
Exceptional impairment of joint venture	-	(5.4)	-	-
Share of post-tax profit from joint ventures	40.6	2.3	-	-

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 36. The Group and Company have a number of contingent liabilities relating to their joint ventures. Further details on these are provided in note 35.

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 £0.3m at 30 June 2014 (2013: £0.2m). The Group's share of the associates' expenses during the year was £0.1m (2013: £0.1m).

The Group has made loans of £nil (2013: £nil) to its associates, which are included within the Group investments accounted for using the equity method. Further details of transactions with associates are provided in note 36.

The Group has contingent liabilities relating to its associates. Further details on these are provided in note 35.

16. Investments

	2014 £m	Company 2013 £m
Cost		
At 1 July	3,170.9	2,671.6
Increase in investment in subsidiaries	-	500.0
Increase/(decrease) in investment in subsidiaries related to share-based payments	0.1	(0.7)
At 30 June	3,171.0	3,170.9
Impairment		
At 1 July	60.5	57.6
Impairment of investments in subsidiaries	-	2.9
At 30 June	60.5	60.5
Net book value		
At 1 July	3,110.4	2,614.0
At 30 June	3,110.5	3,110.4

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	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.

17. Available for sale financial assets

Secured loans

	Notes	2014 £m	Group 2013 £m
At 1 July		128.4	189.2
Additions		1.2	23.8
Disposals		(16.5)	(82.5)
Imputed interest	6	5.8	10.2
Net reversal/(impairment) taken through the Income Statement	7	2.8	(6.1)
Fair value adjustment taken through other comprehensive income		0.7	(6.2)
At 30 June		122.4	128.4
Balance at 30 June analysed as:			
Current		0.8	-
Non-current		121.6	128.4

Available for sale financial assets principally comprise interest free loans that 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 Consolidated Income Statement includes a net impairment reversal of £2.8m (2013: charge of £6.1m) in cost of sales.

Notes to the Financial Statements continued

17. Available for sale financial assets (continued)

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 2014 was 8.0% (2013: 8.0%). A fair value adjustment credit of £0.7m has been taken through other comprehensive income reflecting the unwinding of the discount in the year (2013: charge of £6.2m resulting from an increase of 0.5% to the average discount rate applied).

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 in prior years to review and assess the estimated portfolio value, which has been updated using house price indices.

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 reversal/charge of the available for sale financial assets taken through the Consolidated 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 change 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 24 and note 27(b)(i).

Residential property fund

During the year, the Group disposed of its 1.3m units in a residential property fund that was managed by Hearthstone Investments, which at 30 June 2013, based on unadjusted quoted prices, had a market value of £1.3m, classified within current available for sale financial assets. No gain or loss was recognised in the Consolidated Income Statement in respect of this disposal for the year ended 30 June 2014.

18. Deferred tax

The Group recognised a net deferred tax asset 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 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
Income Statement (charge)/credit	(2.9)	0.9	(65.0)	-	3.0	0.1	(7.1)	(71.0)
Amounts taken directly to equity	(0.8)	1.7	-	(2.0)	-	-	(0.4)	(1.5)
At 30 June 2014	(0.6)	11.7	19.7	4.1	(20.0)	1.2	3.5	19.6

It is not anticipated that any of the deferred tax liability in respect of brands will reverse in the twelve months following the balance sheet date. Whilst it is anticipated that an element of the remaining deferred tax assets and liabilities will reverse during the twelve months following the balance sheet date, at present it is not possible to quantify the value of these reversals.

In addition to the above, the Group has not recognised a deferred tax asset of £2.3m (2013: £6.0m) in respect of capital and other losses because these are not considered recoverable in the foreseeable future.

The Company recognised a net 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 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
Income Statement (charge)/credit	(2.9)	0.3	(13.7)	-	0.3	(0.4)	(16.4)
Amounts taken directly to equity	(0.8)	0.5	-	(2.0)	-	-	(2.3)
At 30 June 2014	(0.6)	3.3	19.6	4.1	0.8	0.7	27.9

18. Deferred tax (continued)

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 net deferred tax asset recognised comprises:

	Notes	2014 £m	Group 2013 £m	2014 £m	Company 2013 £m
Pension scheme	28	–	3.1	–	3.1
Hedging		4.1	6.1	4.1	6.1
Losses		19.7	84.7	19.6	33.3
Share options		11.7	9.1	3.3	2.5
Other items, including capital allowances		8.0	18.1	1.5	1.6
Deferred tax assets		43.5	121.1	28.5	46.6
Pension scheme	28	(0.6)	–	(0.6)	–
Brands		(20.0)	(23.0)	–	–
Other items		(3.3)	(6.0)	–	–
Deferred tax liabilities		(23.9)	(29.0)	(0.6)	–
Net deferred tax asset		19.6	92.1	27.9	46.6

19. Inventories

	2014 £m	Group 2013 £m
Land held for development	2,348.4	2,127.0
Construction work in progress	1,118.2	1,001.9
Part-exchange properties and other inventories	42.0	80.9
	3,508.6	3,209.8

a) Nature of inventories

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

b) Impairment of inventories

At 30 June 2014, the Group reviewed the net realisable value of its land and work in progress carrying values of its housebuilding sites under development. 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 £26.5m (2013: £25.7m) and gross impairment reversals of £22.0m (2013: £22.5m) resulting in a net inventory impairment of £4.5m (2013: £3.2m) included within profit from operations for housebuilding sites for development.

In addition there was a charge of £4.4m (2013: £9.1m) related to housebuilding sites not currently under development due to changes in planning status and the viability of these sites.

There was also a gross impairment charge of £0.4m (2013: £0.6m) and a gross impairment reversal of £0.4m (2013: £0.1m) for the commercial developments business, resulting in a net inventory impairment of £nil (2013: £0.5m), 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 111.

Notes to the Financial Statements continued

19. Inventories (continued)

b) Impairment of inventories (continued)

During the year, the Group has benefitted from stronger market conditions. If the UK housing market were to change beyond management expectations in the future, in particular with regards to the assumptions around 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, £198.6m (2013: £325.7m) 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 2014 and included in cost of sales was £2,500.7m (2013: £2,139.3m) including the inventory impairments.

d) Company

The Company has no inventories.

20. Trade and other receivables

	2014 £m	Group 2013 £m	2014 £m	Company 2013 £m
Non-current assets				
Other receivables	6.2	4.4	-	-
	6.2	4.4	-	-
Current assets				
Trade receivables	86.5	54.4	0.1	-
Amounts due from subsidiary undertakings	-	-	810.2	969.6
Other receivables	13.5	12.5	0.7	0.8
Prepayments and accrued income	11.8	7.9	1.1	1.5
	111.8	74.8	812.1	971.9

Trade and other receivables are non-interest bearing, and include £41.4m (2013: £10.6m) due from the Homes and Communities Agency to the Group in respect of the Help to Buy scheme. Other than this, 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:

	2014 £m	Group 2013 £m
Ageing of overdue but not impaired receivables		
Less than three months	4.9	6.6
Greater than three months	1.5	2.1

The carrying values of trade and other receivables are stated after the following allowance for doubtful receivables:

	Notes	2014 £m	Group 2013 £m
At 1 July		3.0	3.5
Charge for the year	7	2.6	3.2
Uncollectible amounts written off, net of recoveries		(1.6)	(3.7)
At 30 June		4.0	3.0

The allowance for doubtful receivables consists of individually impaired trade receivables that 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 24.

21. Trade and other payables

	2014 £m	Group 2013 £m	2014 £m	Company 2013 £m
Non-current liabilities				
Land payables	367.2	373.7	-	-
Other payables	80.1	4.4	-	-
	447.3	378.1	-	-
Current liabilities				
Trade payables	243.4	250.0	0.9	1.6
Land payables	412.2	370.7	-	-
Amounts due to subsidiary undertakings	-	-	42.9	136.1
Accruals and deferred income	332.1	324.7	23.3	79.9
Other tax and social security	2.2	1.4	-	-
Other payables	122.1	67.0	-	-
	1,112.0	1,013.8	67.1	217.6

Accruals and deferred income includes a £5.6m (2013: £4.9m) social security accrual relating to share-based payments (note 30). Other payables classified as current liabilities principally comprise payments received on account. Other payables classified as non-current liabilities at 30 June 2014 principally comprise deferred payments relating to the acquisition of land in a non-wholly controlled subsidiary.

The Group has £341.7m (2013: £384.2m) 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 25.

22. Contract accounting

In relation to contracts in progress at the balance sheet date:

	2014 £m	Group 2013 £m
Amounts due from contract customers included in trade and other receivables	9.3	9.0
Amounts due to contract customers included in trade and other payables	(5.5)	(4.8)
	3.8	4.2
Contract costs incurred plus recognised profits less recognised losses to date	109.9	99.6
Less: progress billings	(106.1)	(95.4)
	3.8	4.2

At 30 June 2014, retentions held by customers for contract work amounted to £7.9m (2013: £7.0m), of which £2.5m (2013: £1.7m) are due for settlement after twelve months. Advances received from customers for contract work amounted to £27.1m (2013: £16.2m), of which £6.7m (2013: £7.1m) relates to work which is not expected to be performed in the next twelve months.

23. Cash and cash equivalents

	2014 £m	Group 2013 £m	2014 £m	Company 2013 £m
Cash and cash equivalents	274.7	294.4	259.0	274.0

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 24.

Notes to the Financial Statements continued

24. Financial assets

The carrying values and fair values of the Group's financial assets are as follows:

	Notes	Fair value £m	2014 Carrying value £m	Fair value £m	Group 2013 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	26	-	-	29.7	29.7
Loans and receivables					
Cash and cash equivalents	23	274.7	274.7	294.4	294.4
Trade and other receivables		87.8	87.8	52.1	52.1
Available for sale					
Non-current available for sale financial assets	17	121.6	121.6	128.4	128.4
Current available for sale financial assets	17	0.8	0.8	1.3	1.3
Total financial assets		484.9	484.9	505.9	505.9

The carrying values and fair values of the Company's financial assets are as follows:

	Notes	Fair value £m	2014 Carrying value £m	Fair value £m	Company 2013 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	26	-	-	29.7	29.7
Loans and receivables					
Cash and cash equivalents	23	259.0	259.0	274.0	274.0
Trade and other receivables		0.8	0.8	0.8	0.8
Intercompany loans	20	810.2	810.2	969.6	969.6
Total financial assets		1,070.0	1,070.0	1,274.1	1,274.1

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 exclude 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 25(a).

The following table provides an analysis of financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1, 2 and 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;
- 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).

Further details on the fair value of the financial assets measured in accordance with Level 3 can be found in note 17.

24. Financial assets (continued)

There have been no transfers of assets between levels of the fair value hierarchy and no non-recurring fair value measurements.

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Group 2014 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial assets	26	-	-	-	-
Available for sale					
Non-current available for sale financial assets	17	-	-	121.6	121.6
Current available for sale financial assets	17	-	-	0.8	0.8
Total		-	-	122.4	122.4

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Group 2013 (*reclassified) Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial assets	26	-	29.7	-	29.7
Available for sale					
Non-current available for sale financial assets	17	-	-	128.4	128.4
Current available for sale financial assets	17	1.3	-	-	1.3
Total		1.3	29.7	128.4	159.4

* Over the counter derivatives are classified as Level 2 and the comparatives have been reclassified accordingly.

Further disclosures for available for sale assets are provided in note 17 and note 27(b)(i).

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Company 2014 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial assets	26	-	-	-	-
Total		-	-	-	-

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Company 2013 (*reclassified) Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial assets	26	-	29.7	-	29.7
Total		-	29.7	-	29.7

* Over the counter derivatives are classified as Level 2 and the comparatives have been reclassified accordingly.

Notes to the Financial Statements continued

25. 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	2014 Carrying value £m	Fair value £m	Group 2013 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	26	21.2	21.2	27.5	27.5
Other financial liabilities					
Bank overdrafts	25(b)	33.3	33.3	4.1	4.1
Trade and other payables		1,320.8	1,317.4	1,231.5	1,235.1
Loans and borrowings	25(b)	168.9	166.8	404.9	344.3
Total financial liabilities		1,544.2	1,538.7	1,668.0	1,611.0

The carrying values and fair values of the Company's financial liabilities are as follows:

	Notes	Fair value £m	2014 Carrying value £m	Fair value £m	Company 2013 Carrying value £m
Designated as cash flow hedges					
Derivative financial instruments	26	21.2	21.2	27.5	27.5
Other financial liabilities					
Bank overdrafts	25(b)	56.8	56.8	50.9	50.9
Trade and other payables		13.4	13.4	71.0	71.0
Intercompany payables	21	42.9	42.9	136.1	136.1
Loans and borrowings	25(b)	136.5	134.4	373.0	312.4
Total financial liabilities		270.8	268.7	658.5	597.9

On 2 July 2013, the Group cancelled \$166.6m of US\$ foreign exchange swaps as part of the comprehensive refinancing package agreed on 14 May 2013. Further details are provided in note 4.

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 the secured loan available for sale financial assets are calculated using an internal valuation model. The model calculates the fair value on a loan by loan basis using the present value of expected future cash flows of each loan. The future value of each loan is based on original selling prices adjusted for regional house price inflation, which in turn is based upon independent valuation specialists and official published valuation data. Each loan includes an allowance for future low single-digit house price inflation on the property. In addition, the Group includes an allowance for borrower default, including an estimate made for losses incurred that have not yet been reported to the Group by the home owner or first charge provider.
- The fair value of the residential property fund 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 21.

25. Financial liabilities (continued)

a) Fair value and carrying value (continued)

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 2014 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial liabilities	26	–	21.2	–	21.2
Total		–	21.2	–	21.2

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Group 2013 (*reclassified) Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial liabilities	26	–	27.5	–	27.5
Total		–	27.5	–	27.5

* Over the counter derivatives are classified as Level 2 and the comparatives have been reclassified accordingly.

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Company 2014 Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial liabilities	26	–	21.2	–	21.2
Total		–	21.2	–	21.2

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Company 2013 (*reclassified) Total £m
Derivative instruments in designated hedge accounting relationships					
Derivative financial liabilities	26	–	27.5	–	27.5
Total		–	27.5	–	27.5

* Over the counter derivatives are classified as Level 2 and the comparatives have been reclassified accordingly.

Notes to the Financial Statements continued

25. Financial liabilities (continued)

b) Drawn debt facilities

The drawn debt at 30 June comprises:

	2014 £m	Group 2013 £m	2014 £m	Company 2013 £m
Non-current				
Term loans	88.3	85.0	88.3	85.0
Government loans	27.3	29.8	-	-
Private placement notes	46.1	51.8	46.1	51.8
Total non-current borrowings	161.7	166.6	134.4	136.8
Current				
Bank overdrafts	33.3	4.1	56.8	50.9
Private placement notes	-	175.6	-	175.6
Kickstart equity funding	-	1.6	-	-
Government loans	5.1	0.5	-	-
Total current borrowings	38.4	181.8	56.8	226.5
Total borrowings	200.1	348.4	191.2	363.3

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

	2014 %	Group 2013 %	2014 %	Company 2013 %
Bank loans net of swap interest	6.9	6.6	6.9	6.6
Government loans	2.0	2.7	-	-
Term loans	4.5	5.3	4.5	5.3
Private placement notes	8.2	10.8	8.2	10.8

The principal features of the Group's debt facilities at 30 June 2014 and 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 2014, £nil was drawn. £150m of this facility matures in June 2016 and £550m of this facility matures on 14 May 2018.
- A committed £100.0m term loan, of which £100.0m was drawn at 30 June 2014, 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 £32.4m under the Government's 'Get Britain Building' and local government 'Growing Places Fund' schemes. These loans are due to be repaid between 31 December 2014 and 31 March 2018.
- A committed £50.0m two-year term loan was made available under a facility dated 30 September 2013. This facility was cancelled and repaid in full on 27 June 2014.

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.

25. Financial liabilities (continued)

b) Drawn debt facilities (continued)

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 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) 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.

c) Net cash/(debt)

Net cash/(debt) at 30 June 2014 is shown below:

	2014 £m	Group 2013 £m	2014 £m	Company 2013 £m
Cash and cash equivalents	274.7	294.4	259.0	274.0
Non-current borrowings				
Term loans	(88.3)	(85.0)	(88.3)	(85.0)
Government loans	(27.3)	(29.8)	-	-
Private placement notes	(46.1)	(51.8)	(46.1)	(51.8)
Total non-current borrowings	(161.7)	(166.6)	(134.4)	(136.8)
Current borrowings				
Bank overdrafts	(33.3)	(4.1)	(56.8)	(50.9)
Government loans	(5.1)	(0.5)	-	-
Private placement notes	-	(175.6)	-	(175.6)
Kickstart equity funding	-	(1.6)	-	-
Total current borrowings	(38.4)	(181.8)	(56.8)	(226.5)
Total borrowings	(200.1)	(348.4)	(191.2)	(363.3)
Derivative financial instruments				
Foreign exchange swaps	(1.5)	28.1	(1.5)	28.1
Net cash/(debt)	73.1	(25.9)	66.3	(61.2)

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. Included within non-current borrowings are prepaid facility arrangement fees of £12.5m (2013: £15.9m). 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 cash/(debt) note above.

Notes to the Financial Statements continued

25. Financial liabilities (continued)

The Group's derivative financial instruments at 30 June are shown below:

	2014 £m	Group 2013 £m	2014 £m	Company 2013 £m
Foreign exchange swap – exchange rate element	(1.5)	28.1	(1.5)	28.1
Foreign exchange swap – interest rate element	(0.3)	1.2	(0.3)	1.2
	(1.8)	29.3	(1.8)	29.3
Interest rate swaps	(19.4)	(27.1)	(19.4)	(27.1)
Net derivative financial instruments	(21.2)	2.2	(21.2)	2.2

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.

26. 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 27. Neither the Group nor the Company enters into any derivatives for speculative purposes.

	Asset £m	2014 Liability £m	Asset £m	Group and Company 2013 Liability £m
Designated as cash flow hedges				
Non-current				
Interest rate swaps	-	(19.4)	-	(27.1)
Foreign exchange swaps	-	(1.8)	4.1	-
Current				
Foreign exchange swaps	-	-	25.6	(0.4)
Total derivative financial instruments	-	(21.2)	29.7	(27.5)

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 2014, the Group had outstanding floating rate Sterling debt and overdrafts, excluding fees, of £164.3m (2013: £132.4m) and the Company had outstanding net floating rate Sterling debt and overdrafts, excluding fees, of £156.8m (2013: £150.9m). 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 (2013: £137.0m) of this debt into fixed rate Sterling debt in accordance with the Group and Company treasury policy outlined in note 27. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

£m	Fixed rate payable %	2014 Maturity	£m	Fixed rate payable %	2013 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
25.0	5.63	2022	25.0	5.63	2022
137.0			137.0		

26. Derivative financial instruments – swaps (continued)

a) Interest rate swaps (continued)

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 2014, which is based on third party valuations, was a liability of £19.4m (2013: £27.1m) with a gain of £7.7m (2013: £6.9m) charged directly to equity in the year.

There was no ineffectiveness to be taken through the Consolidated Income Statement during the year or the prior year.

Further disclosures relating to financial instruments are set out in note 27.

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 2014, the Group and Company had outstanding fixed rate US Dollar loan notes of \$80.0m (2013: \$246.6m).

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 and Company treasury policy outlined in note 27. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

\$m	Fixed rate payable %	2014 Maturity*	\$m	Fixed rate payable %	2013 Maturity*
-	-	-	103.7	6.61	2013
-	-	-	7.5	10.55	2013
-	-	-	12.8	9.75	2013
80.0	8.14	2017	80.0	8.14	2017
-	-	-	33.7	9.24	2013
-	-	-	3.6	12.23	2013
-	-	-	5.3	11.37	2013
80.0			246.6		

* 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 100% of the interest payments. The fair value of the swap arrangements as at 30 June 2014, which is based on third party valuations, was a liability of £1.8m (2013: asset of £29.3m) with a loss of £7.3m (2013: gain of £0.7m) charged directly to equity in the year.

There was no ineffectiveness to be taken through the Consolidated Income Statement during the year or the prior year. Further disclosures relating to financial instruments are set out in note 27.

27. Financial risk management

The Group's approach to risk management and the principal operational risks of the business are detailed on pages 36 to 41. The Group's financial assets, financial liabilities and derivative financial instruments are detailed in notes 24, 25 and 26.

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.

Notes to the Financial Statements continued

27. Financial risk management (continued)

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long term and medium term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April and May; and October and November of each year, due to seasonal trends in income. Accordingly, the Group maintains sufficient facility headroom to cover these requirements. On a normal operating basis, the Group has a policy of maintaining headroom of up to £150.0m. The Group identifies and takes appropriate actions based upon its regular, detailed system for the reporting and forecasting of cash flows from its operations. At 30 June 2014, the Group had committed bank and other facilities of £880.8m (2013: £1,030.5m) and total facilities of £932.0m (2013: £1,076.7m). The Group's drawn debt, excluding fees, against the committed facilities was £180.8m (2013: £330.5m). This represented 20.5% (2013: 32.1%) of available committed facilities at 30 June 2014. In addition, the Group had £274.7m (2013: £294.4m) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2014. 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 2014, the average maturity of the Group's facilities was 3.7 years (2013: 3.9 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	2014	Group	2014	Company
	£m	2013	£m	2013
		£m		£m
In less than one year	-	-	-	-
In more than one year but not more than two years	150.0	150.0	150.0	150.0
In more than two years but not more than five years	550.0	550.0	550.0	550.0
In more than five years	-	-	-	-
	700.0	700.0	700.0	700.0

In addition, the Group had £17.9m (2013: £42.1m) of undrawn uncommitted facilities available at 30 June 2014.

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	Contractual	Less than	1-2 years	2-5 years	Over
		amount	cash flow	1 year	£m	£m	5 years
		£m	£m	£m	£m	£m	£m
2014							
Loans and borrowings (including bank overdrafts)	25(a)	200.1	333.6	68.7	36.9	121.7	106.3
Trade and other payables	25(a)	1,317.4	1,375.9	878.5	221.3	233.6	42.5
		1,517.5	1,709.5	947.2	258.2	355.3	148.8
2013							
Loans and borrowings (including bank overdrafts)	25(a)	348.4	542.5	243.4	35.2	153.9	110.0
Trade and other payables	25(a)	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

27. Financial risk management (continued)

a) Liquidity risk (continued)

The expected undiscounted cash flows of the Company's financial liabilities, excluding derivative financial liabilities, by remaining contractual maturity at the balance sheet date were as follows:

Company	Notes	Carrying amount £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
2014							
Loans and borrowings (including bank overdrafts)	25(a)	191.2	322.3	86.5	29.6	99.9	106.3
Trade and other payables	25(a)	13.4	13.4	13.4	-	-	-
Intercompany payables	25(a)	42.9	42.9	42.9	-	-	-
		247.5	378.6	142.8	29.6	99.9	106.3
2013							
Loans and borrowings (including bank overdrafts)	25(a)	363.3	553.3	287.3	29.6	126.4	110.0
Trade and other payables	25(a)	71.0	71.0	71.0	-	-	-
Intercompany payables	25(a)	136.1	136.1	136.1	-	-	-
		570.4	760.4	494.4	29.6	126.4	110.0

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 2014 none of this facility was drawn.

Trade and other payables exclude 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
2014							
Financial assets							
Gross settled derivatives							
Receive leg	24	-	-	-	-	-	-
Pay leg		-	-	-	-	-	-
Financial liabilities							
Gross settled derivatives							
Receive leg	26	(1.8)	61.9	3.5	3.6	54.8	-
Pay leg		-	(64.0)	(3.9)	(3.9)	(56.2)	-
Net settled derivatives	26	(19.4)	(19.4)	(6.5)	(5.3)	(5.9)	(1.7)
	26	(21.2)	(21.5)	(6.9)	(5.6)	(7.3)	(1.7)
2013							
Financial assets							
Gross settled derivatives							
Receive leg	24	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	26	(0.4)	17.6	17.6	-	-	-
Pay leg		-	(18.0)	(18.0)	-	-	-
Net settled derivatives	26	(27.1)	(27.1)	(7.1)	(6.6)	(11.5)	(1.9)
	26	2.2	26.5	42.7	(6.6)	(7.7)	(1.9)

Under the Group's International Swaps and Derivatives Association Master Agreement ('ISDA'), the interest rate swaps are settled on a net basis.

Notes to the Financial Statements continued

27. Financial risk management (continued)

b) Market risk (price risk)

i) UK housing market risk

This section specifically discusses UK housing market risk in the context of the financial instruments in the Group Balance Sheet.

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. However, the Group does seek to maintain an appropriate geographic spread of operating divisions and an appropriate product mix to mitigate any risks caused by local economic conditions. The Group has detailed procedures to manage its market related operational risks, which include:

- a weekly review of key trading indicators, including reservations, sales rates, visitor levels, levels of incentives, competitor activity and cash flow projections;
- the provision to mortgage providers with complete transparency of house purchase prices alongside any discounts or other incentives in order that they have appropriate information upon which to base their lending decision; and
- collaboration with key mortgage lenders to ensure that products are appropriate wherever possible for 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 intangible assets.

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
2014			
Non-derivative financial assets	122.4	362.5	484.9
Non-derivative financial liabilities	-	(1,517.5)	(1,517.5)
Derivatives	-	(21.2)	(21.2)
	122.4	(1,176.2)	(1,053.8)
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)

The value of the Group's available for sale financial assets is directly linked to the UK housing market. At 30 June 2014, these assets were carried at a fair value of £122.4m (2013: £128.4m). Further information is set out in note 17.

The Company has no financial assets and liabilities which are directly linked to the UK housing market.

Sensitivity analysis

At 30 June 2014, 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 £2.7m (2013: £8.4m) 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 and the Group's interest rates are fixed using both swaps and fixed rate debt instruments. The Group's policy is for 0-40% of average borrowings over the 3 year plan period to be at fixed rates of interest. Due to the seasonality of the Group's funding requirements, 87.2% (2013: 65.3%) of the Group's gross borrowings were fixed as at 30 June 2014 and the average over the 3 year plan period was 39%. Group interest rates are fixed using both swaps and fixed rate debt instruments.

27. 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
2014				
Financial liabilities (excluding derivatives)	152.5	47.6	1,317.4	1,517.5
Impact of interest rate swaps	(137.0)	137.0	-	-
Financial liability exposure to interest rate risk	15.5	184.6	1,317.4	1,517.5
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

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
2014				
Financial liabilities (excluding derivatives)	188.0	46.1	13.4	247.5
Impact of interest rate swaps	(137.0)	137.0	-	-
Financial liability exposure to interest rate risk	51.0	183.1	13.4	247.5
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

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 2014 was 3.4% (2013: 3.6%).

US Dollar denominated private placement notes of £46.1m (2013: £133.5m) 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 2014 was 8.2% (2013: 10.2%) with, at 30 June 2014, a weighted average period of 3.2 years (2013: 1.5 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.

In the year ending 30 June 2013, Sterling private placement notes of £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 was 12.0% with, at 30 June 2013, a weighted average period of zero years for which the rate is fixed.

Sensitivity analysis

In the year ended 30 June 2014, if UK interest rates had been 50 basis points higher/lower, as this is a reasonably possible change, and all other variables were held constant, the Group's pre-tax profit would decrease/increase by £0.7m (2013: £0.6m), the Group's post-tax profit would decrease/increase by £0.5m (2013: £0.5m) and the Group's equity would decrease/increase by £0.5m (2013: £0.5m).

Notes to the Financial Statements continued

27. Financial risk management (continued)

b) Market risk (price risk) (continued)

iii) Foreign exchange rate risk

As at 30 June 2014, the Group has fixed rate US Dollar denominated private placement notes of \$80.0m (2013: \$246.6m). 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, which fully hedge the principal of its US Dollar denominated debt and the US Dollar interest payments.

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 26.

Sensitivity analysis

In the year ended 30 June 2014, 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 £nil (2013: £0.4m), the Group's post-tax profit would decrease/increase by £nil (2013: £0.3m) and the Group's equity would decrease/increase by £nil (2013: £0.3m).

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 affordable housing. The Group has £122.4m (2013: £128.4m) 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 £25.6m (2013: £25.8m) in a joint venture that holds available for sale financial assets, which exposes the joint venture to credit risk, although this is spread over a large number of properties. Included within trade and other receivables £41.4m (2013: £10.6m) is due from the Homes and Communities Agency in respect of the Help to Buy scheme. Since this receivable is due from a UK Government agency, the Group considers that this receivable has an insignificant risk of default. Other than this, 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 2014 was £71.8m (2013: £76.9m) 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 2014, the Company was exposed to £810.2m (2013: £969.6m) 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 35 and 36.

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 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 25.

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. The management of these operational risks is set out in the principal risks and uncertainties on pages 36 to 41.

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

28. Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

a) Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees, under which it pays contributions to an independently administered fund. Contributions are based upon a fixed percentage of the employee's pay and once these have been paid, the Group has no further obligations under these schemes.

	2014 £m	2013 £m
Contributions during the year		
Group defined contribution schemes Consolidated Income Statement charge	7.8	7.0

At the balance sheet date, there were outstanding contributions of £0.8m (2013: £0.7m), which were paid on or before the due date.

b) 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 Scheme provides benefits to members based on their length of service and their salary in the final years leading up to retirement or date of ceasing active accrual if earlier. The Group operates the Scheme under the UK regulatory framework, with a legally separate fund that is Trustee-administered. The Trustees are responsible for ensuring that the Scheme is sufficiently funded to meet current and future benefit payments and for the investment policy with regard to scheme assets.

The Trustees must agree a funding plan with the Group such that any funding shortfall is expected to be met by additional contributions and investment performance. In order to assess the level of contributions, triennial valuations are carried out using prudent assumptions.

The most recent full actuarial valuation of the Scheme was carried out at 30 November 2013. The results of this valuation have been updated to 30 June 2014 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 30 November 2015 and then £9.5m per annum until 31 December 2016 to address the Scheme's actuarial 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 (2013: £1.1m).

The Scheme exposes the Group to a number of risks, the most significant being:

Risk	Description
Volatile asset returns	The defined benefit obligation ('DBO') is calculated using a discount rate set with reference to high quality corporate bond yields. If assets underperform this discount rate, this will create a plan deficit. The Scheme holds a significant proportion of its assets in equities and other growth assets which are expected to outperform corporate bonds in the long term. However, returns are likely to be volatile in the short term, potentially resulting in short term cash requirements and an increase in the defined benefit obligation recorded on the Balance Sheet. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the funding and accounting liabilities, although this will be partially offset by an increase in the value of the Scheme's investments in corporate and government bonds.
Inflation risk	A significant proportion of the DBO is indexed in line with price inflation, with higher inflation leading to higher liabilities.
Life expectancy	The majority of the Scheme's obligations are to provide a pension for the life of each of the members, so increases in life expectancy will result in an increase in the liabilities.

For the purposes of calculating the accounting costs and obligations of the Scheme, 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	2014	2013
Weighted average assumptions to determine benefit obligations		
Discount rate	4.30%	4.70%
Rate of price inflation	3.30%	3.40%
Weighted average assumptions to determine net cost		
Discount rate	4.70%	4.80%
Rate of price inflation	3.40%	2.90%

Notes to the Financial Statements continued

28. Retirement benefit obligations (continued)

b) Defined benefit scheme (continued)

Members are assumed to exchange 19% of their pension for cash on retirement. The assumptions have been chosen by the Group following advice from Mercer 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 1949 (life expectancy at age 65)	23.6 years	26.0 years
Non-retired member born in 1969 (life expectancy at age 65)	25.4 years	28.0 years

The Trustees carried out an actuarial valuation of the Scheme as at 30 November 2013. As part of this valuation a postcode analysis was carried out and the Trustees updated their mortality assumptions to reflect the results of this analysis. The Group has reflected this analysis for the 30 June 2014 year end which has led to a decrease in life expectancies for the Scheme.

The base mortality assumptions are based upon the S1NA mortality tables with an adjustment to allow for the Scheme members being 1.5 years younger than the population of the S1NA mortality tables. Allowance for future increases in life expectancy is made in line with the CMI 2013 projections with a long term trend of 1.25% (2013: 1.25%).

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

Assumptions	Change in assumption	Increase in Scheme liabilities	
		£m	%
Discount rate	Decrease by 0.1%	6.4	2.0
Rate of inflation	Increase by 0.1%	3.6	1.1
Life expectancy	Increase by 1 year	9.9	3.0

The amounts recognised in the Consolidated Income Statement were as follows:

	2014	2013 ('restated)
	£m	£m
Interest cost	14.3	13.3
Interest income	(14.0)	(12.5)
Total pension cost recognised in net finance costs in the Consolidated Income Statement	0.3	0.8
Total pension cost recognised in the Consolidated Income Statement	0.3	0.8

* The Consolidated Income Statement and Statements of Comprehensive Income have been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3).

The amounts recognised in the Group and Company Statements of Comprehensive Income were as follows:

	2014	2013 ('restated)
	£m	£m
Expected return less actual return on Scheme assets	(15.3)	(18.9)
Loss arising from changes in the assumptions underlying the present value of benefit obligations	6.4	23.4
Loss arising from experience from the 30 November 2013 actuarial valuation	5.4	–
Total pension (income)/cost recognised in the Group Statement of Comprehensive Income	(3.5)	4.5

* The Consolidated Income Statement and Statements of Comprehensive Income have been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3).

The amount included in the Group and Company Balance Sheets arising from obligations in respect of the Scheme is as follows:

	2014	2013
	£m	£m
Present value of funded obligations	327.0	308.3
Fair value of Scheme assets	(330.1)	(294.9)
(Surplus)/deficit for funded Scheme/net (asset)/liability recognised in the Group and Company Balance Sheets at 30 June	(3.1)	13.4

28. Retirement benefit obligations (continued)

b) Defined benefit scheme (continued)

	2014 £m	2013 ('restated') £m
Net liability for defined benefit obligations at 1 July	13.4	21.4
Contributions paid to the Scheme	(13.3)	(13.3)
Expense recognised in the Consolidated Income Statement	0.3	0.8
Amounts recognised in the Group and Company Statements of Comprehensive Income	(3.5)	4.5
Net (asset)/liability for defined benefit obligations at 30 June	(3.1)	13.4

* The Consolidated Income Statement and Statements of Comprehensive Income have been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3).

A deferred tax liability of £0.6m (2013: £3.1m deferred tax asset) has been recognised in the Group and Company Balance Sheets in relation to the pension asset (note 18).

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

	2014 £m	2013 £m
Present value of benefit obligations at 1 July	308.3	280.5
Interest cost	14.3	13.3
Actuarial loss	11.8	23.4
Benefits paid from Scheme	(7.4)	(8.9)
Present value of benefit obligations at 30 June	327.0	308.3

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

	2014 £m	2013 ('restated') £m
Fair value of Scheme assets at 1 July	294.9	259.1
Interest income	14.0	12.5
Actuarial gain on Scheme assets	15.3	18.9
Employer contributions	13.3	13.3
Benefits paid from Scheme	(7.4)	(8.9)
Fair value of Scheme assets at 30 June	330.1	294.9

* The Consolidated Income Statement and Statements of Comprehensive Income have been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3).

The analysis of Scheme assets was as follows:

	£m	2014 %	£m	2013 %
Quoted equity securities	159.7	48.4	139.0	47.2
Debt securities	170.0	51.5	154.9	52.5
Other	0.4	0.1	1.0	0.3
Total	330.1	100.0	294.9	100.0

The actual return on Scheme assets was as follows:

	2014 £m	2013 £m
Actual return on Scheme assets	29.3	31.4

The expected employer contribution to the Scheme in the year ending 30 June 2015 is £13.3m.

Notes to the Financial Statements continued

29. Share capital

	2014 £m	2013 £m
Allotted and issued ordinary shares		
10p each fully paid: 984,983,475 ordinary shares (2013: 979,715,092)	98.5	98.0

During the year, 2,407,303 (2013: 4,620,159) awards over the Company's shares were granted under the Company's Executive Long Term Performance Plan, 3,363,707 (2013: 2,679,912) options were granted under the Savings-Related Share Option Scheme ('SRSOS'), 785,879 (2013: 1,338,259) awards over the Company's shares were granted under the Company's Co-Investment Plan and awards of 709,644 (2013: 585,264) were granted over the Company's shares under the Senior Management Incentive Scheme.

Allotment of shares during the year

During the year, a total of 1,090,558 (2013: 2,175,239) shares were issued to satisfy exercises under the 2010 and 2011 SRSOS schemes and 71,331 shares (2013: 27,147) were issued to satisfy early exercises under the 2011, 2012 and 2013 grants of the SRSOS schemes.

During the year, 4,021,515 shares (2013: nil) were issued to satisfy exercises under the 2010 Long Term Performance Plan and 84,979 shares (2013: nil) were issued to satisfy exercises under the Employee Share Option Plan.

Employee Benefit Trust

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 3,392,355 (2013: 3,988,259) ordinary shares in the Company. The EBT disposed of 595,904 shares in settlement of exercises under the Senior Management Share Option Plan 2009/10, the Executive Share Option Scheme 2009/10 and the Co-Investment Plan. The market value of the shares held by the EBT at 30 June 2014 at 373.7 pence per share (2013: 309.6 pence per share) was £12,677,231 (2013: £12,347,650). 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, Long Term Performance Plans and Co-Investment 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.

30. Share-based payments

Analysis of the Consolidated Income Statement charge:

	2014 £m	2013 £m
Equity-settled share-based payments:		
Long Term Performance Plan	5.7	2.9
Savings-Related Share Option Scheme	1.2	0.8
Executive Share Option Scheme	–	(0.2)
Senior Management Incentive Scheme	0.7	0.3
Co-Investment Plan	1.4	0.6
	9.0	4.4

As at 30 June 2014, an accrual of £5.6m (2013: £4.9m) 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. The ten year limit on powers to grant any awards under the LTPP expired on 12 November 2013 and 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 2014, 2,407,303 (2013: 4,620,159) 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 2014/15 financial year and each of the outstanding LTPP awards, can be found on pages 66 to 69 and page 85.

30. 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 SRSOS is open to all eligible employees as determined by the Board and is not subject to the satisfaction of any performance conditions.

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'). 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. No further grants will therefore be made under the ESOP. The outstanding unexercised options granted under the ESOP in October 2003 lapsed in October 2013. There are no outstanding awards under the ESOP.

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 was subject to the achievement of an objective performance condition set by the Board. Those who have participated in the ESOP do not participate in the Employee Plan. The authority to grant options under the Employee Plan 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 lapsed in May 2014 and there are no outstanding awards under the Employee Plan.

vii) 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. The Committee has the discretion to award matching shares against the deferred shares; however, no matching shares have been awarded to date. The Executive Directors also have the opportunity to voluntarily defer additional amounts of annual bonus up to a maximum of 25% of basic salary into the Plan. Further details are on page 66.

viii) 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 Group Chief Executive (or in his absence, the Chairman of the Board). Any awards under the SMIS 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 performance conditions as set for the LTPP granted in the same financial year. Further details are on page 66.

Notes to the Financial Statements continued

30. Share-based payments (continued)

b) Outstanding equity-settled share-based payments

At 30 June 2014, the following options were outstanding:

Date of grant	Option price pence	2014 Number	Not exercisable after
Executive Share Option Scheme			
10 December 2009 (approved*)	118	8,350	9 December 2019
10 December 2009 (unapproved*)	121	1,383,977	9 December 2019
Total Executive Share Option Scheme options		1,392,327	
Senior Management Share Option Plan			
10 December 2009 (approved*)	118	902,199	9 December 2019
10 December 2009 (unapproved*)	121	456,262	9 December 2019
Total Senior Management Share Option Plan options		1,358,461	
Savings-Related Share Option Scheme			
29 March 2011	105	315,521	30 November 2014
28 March 2012 – 3 year plan	125	4,373,709	30 November 2015
28 March 2012 – 5 year plan	125	1,507,824	30 November 2017
27 March 2013 – 3 year plan	205	2,070,453	30 November 2016
27 March 2013 – 5 year plan	205	350,102	30 November 2018
30 April 2014 – 3 year plan	349	2,870,710	31 December 2017
30 April 2014 – 5 year plan	349	467,734	31 December 2019
Total Savings-Related Share Option Scheme options		11,956,053	
Total share options		14,706,841	
Long Term Performance Plan			
20 October 2011	–	6,878,914	–
24 October 2012	–	4,620,159	–
23 October 2013	–	2,407,303	–
Total Long Term Performance Plan awards		13,906,376	
Co-Investment Plan			
18 October 2011	–	123,474	–
12 October 2012	–	1,283,243	–
2 October 2013	–	785,879	–
Total Co-Investment Plan awards		2,192,596	
Senior Management Incentive Scheme			
24 October 2012	–	487,906	–
23 October 2013	–	699,606	–
Total Senior Management Incentive Scheme awards		1,187,512	
Total		31,993,325	

* 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.

30. 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:

	2014		2013	
	Weighted average exercise price in pence	Number of options	Weighted average exercise price in pence	Number of options
Outstanding at 1 July	357	556,468	344	679,983
Forfeited during the year	357	(556,468)	287	(123,515)
Outstanding at 30 June	-	-	357	556,468
Exercisable at 30 June	-	-	357	556,468

The number and weighted average exercise prices of options issued under the Employee Share Option Plan were as follows:

	2014		2013	
	Weighted average exercise price in pence	Number of options	Weighted average exercise price in pence	Number of options
Outstanding at 1 July	387	399,894	387	417,801
Forfeited during the year	387	(314,915)	387	(17,907)
Exercised during the year	387	(84,979)	-	-
Outstanding at 30 June	-	-	387	399,894
Exercisable at 30 June	-	-	387	399,894

The number and weighted average exercise prices of awards made under the Long Term Performance Plan were as follows:

	2014		2013	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
Outstanding at 1 July	-	17,087,663	-	14,830,392
Forfeited during the year	-	(1,567,075)	-	(2,362,888)
Exercised during the year	-	(4,021,515)	-	-
Granted during the year	-	2,407,303	-	4,620,159
Outstanding at 30 June	-	13,906,376	-	17,087,663
Exercisable at 30 June	-	-	-	-

The number and weighted average exercise prices of options granted under the Executive Share Option Scheme were as follows:

	2014		2013	
	Weighted average exercise price in pence	Number of options	Weighted average exercise price in pence	Number of options
Outstanding at 1 July	121	1,592,404	121	6,023,042
Forfeited during the year	-	-	121	(4,300,941)
Exercised during the year	121	(200,077)	121	(129,697)
Outstanding at 30 June	121	1,392,327	121	1,592,404
Exercisable at 30 June	121	1,392,327	121	1,592,404

Notes to the Financial Statements continued

30. 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:

	2014		2013	
	Weighted average exercise price in pence	Number of options	Weighted average exercise price in pence	Number of options
Outstanding at 1 July	119	1,850,044	119	3,630,197
Forfeited during the year	118	(33,224)	118	(20,417)
Exercised during the year	119	(458,359)	119	(1,759,736)
Outstanding at 30 June	119	1,358,461	119	1,850,044
Exercisable at 30 June	119	1,358,461	119	1,850,044

The number and weighted average exercise prices of options granted under the Savings-Related Share Option Scheme were as follows:

	2014		2013	
	Weighted average exercise price in pence	Number of options	Weighted average exercise price in pence	Number of options
Outstanding at 1 July	143	10,539,414	114	10,632,321
Forfeited during the year	156	(785,179)	118	(570,433)
Granted during the year	349	3,363,707	205	2,679,912
Exercised during the year	109	(1,161,889)	84	(2,202,386)
Outstanding at 30 June	203	11,956,053	143	10,539,414
Exercisable at 30 June	105	315,521	116	339,736

The number and weighted average award price of awards made under the Co-Investment Plan were as follows:

	2014		2013	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
Outstanding at 1 July	-	1,435,655	-	123,474
Forfeited during the year	-	-	-	(26,078)
Exercised during the year	-	(28,938)	-	-
Granted during the year	-	785,879	-	1,338,259
Outstanding at 30 June	-	2,192,596	-	1,435,655
Exercisable at 30 June	-	-	-	-

30. 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:

	2014		2013	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
Outstanding at 1 July	-	525,879	-	-
Forfeited during the year	-	(48,011)	-	(59,385)
Granted during the year	-	709,644	-	585,264
Outstanding at 30 June	-	1,187,512	-	525,879
Exercisable at 30 June	-	-	-	-

The weighted average share price, at the date of exercise, of share options exercised during the year was 349.1p (2013: 228.7p). The weighted average life for all schemes outstanding at the end of the year was 2.0 years (2013: 2.3 years).

d) Consolidated Income Statement charge

A charge to the Consolidated 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 2014 was 102.6p (2013: 111.8p) 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 2014	Grants 2013
Average share price	370p	274p
Average exercise price	349p	205p
Expected volatility	38.0%	46.6%
Expected life	3.3 years	3.7 years
Risk free interest rate	1.20%	0.44%
Expected dividends	3.30%	1.50%

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 2014 was 327.5p (2013: 160.6p).

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 2014	Grants 2013
Average share price	339p	186p
Average exercise price	nil	nil
Expected volatility	38.0%	45.0%
Expected life	3.0 years	3.0 years
Risk free interest rate	0.70%	0.46%
Expected dividends	3.23%	0.75%

Notes to the Financial Statements continued

30. Share-based payments (continued)

d) Consolidated Income Statement charge (continued)

iii) Co-Investment Plan

The weighted average fair value of the options granted during 2014 was 298.5p (2013: 169.2p) 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 2014	Grants 2013
Share price at valuation date	309p	177p
Average exercise price	nil	nil
Expected life	3.0 years	3.0 years
Expected dividends	3.23%	1.50%

iv) Senior Management Incentive Scheme

The weighted average fair value of the options granted during 2014 was 327.5p (2013: 177.8p) 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 2014	Grants 2013
Average share price	339p	186p
Average exercise price	nil	nil
Expected volatility	38.0%	45.0%
Expected life	3.0 years	3.0 years
Risk free interest rate	0.70%	0.46%
Expected dividends	3.23%	1.50%

31. 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 £5.4m (2013: £1.9m). This loss comprises gains of £1.9m (2013: £2.6m loss) relating to interest rate swaps and losses of £7.3m (2013: £0.7m gain) on foreign exchange swaps.

Transfers from the hedging reserve to the Consolidated Income Statement for the period are gains of £11.7m (2013: £6.7m). 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 year. Of these gains, £5.8m (2013: £9.5m) related to hedged interest cash flows and £5.9m (2013: £2.8m loss) 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 reserve

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 £165.4m (2013: £950.4m (restated (note 3))).

32. Non-controlling interests

	2014 £m	Group 2013 £m
At 1 July	-	-
Share of profit for the year recognised in the Consolidated Income Statement	-	-
Non-controlling interest arising on acquisition of land in a non-wholly controlled subsidiary	8.0	-
At 30 June	8.0	-

On 28 April 2014 the Group acquired land in SQ Holdings Limited, a subsidiary registered in Guernsey in which the Group holds an interest of 90%.

No non-controlling interests arose in the Company (2013: none).

33. Cash flows from operating activities

	Notes	2014 £m	Group 2013 (*restated) £m	2014 £m	Company 2013 (*restated) £m
Profit for the year from continuing operations		305.4	74.7	165.4	950.4
Tax		85.2	29.8	6.5	(22.7)
Finance income		(9.1)	(12.8)	(60.9)	(35.3)
Finance costs – non-exceptional		68.8	81.1	39.7	55.0
Finance costs – exceptional		-	79.3	-	79.3
Dividends received from subsidiaries		-	-	(160.0)	(1,024.5)
Share of post-tax profit from joint ventures		(40.6)	(2.3)	-	-
Share of post-tax loss from associates		0.1	0.1	-	-
Profit/(loss) from operations		409.8	249.9	(9.3)	2.2
Depreciation	14	2.0	1.6	0.9	0.7
Profit on disposal of property, plant and equipment	5	-	(0.6)	-	-
Impairment of inventories	19	8.9	12.8	-	-
(Reversal)/impairment of available for sale financial assets	17	(2.8)	6.1	-	-
Impairment of investment in subsidiaries	16	-	-	-	2.9
Share-based payments charge	30	9.0	4.4	2.8	1.3
Imputed interest on deferred term payables	6	(35.0)	(26.5)	-	-
Imputed interest on available for sale financial assets	6, 17	5.8	10.2	-	-
Amortisation of facility fees	6	(3.5)	(4.6)	(3.5)	(4.6)
Imputed interest on Kickstart equity funding	6	-	0.9	-	-
Write-off of previous facility unamortised fees	6	-	(7.8)	-	(7.8)
Finance costs related to employee benefits	6, 28	(0.3)	(0.8)	(0.3)	(0.8)
Total non-cash items		(15.9)	(4.3)	(0.1)	(8.3)
(Increase)/decrease in inventories		(235.0)	4.0	-	-
(Increase)/decrease in trade and other receivables		(39.2)	(23.3)	173.4	(393.4)
Increase/(decrease) in trade and other payables		147.0	(32.1)	(105.9)	120.2
Decrease in available for sale financial assets		9.5	22.7	-	-
Total movements in working capital		(117.7)	(28.7)	67.5	(273.2)
Interest paid		(33.2)	(52.0)	(40.4)	(51.8)
Tax (paid)/received		(0.7)	0.9	0.8	0.9
Net cash inflow/(outflow) from operating activities		242.3	165.8	18.5	(330.2)

* The Consolidated Income Statement and Statements of Comprehensive Income have been restated for the comparative year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3).

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.

Notes to the Financial Statements continued

34. Operating lease obligations

a) The Group as lessee

At 30 June 2014, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014		Group 2013	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	13.9	7.0	13.6	6.8
More than one year and no later than five years	25.2	9.0	24.4	7.1
In five years or more	28.8	-	27.7	-
	67.9	16.0	65.7	13.9

Operating lease payments represent rentals payable by the Group for certain office properties and motor vehicles. Motor vehicle leases have an average term of 2.0 years (2013: 1.8 years) to expiry. Property leases have an average term of 1.2 years (2013: 1.4 years) to expiry.

At 30 June 2014, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014		Company 2013	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	0.7	0.7	0.7	0.6
More than one year and no later than five years	1.4	0.8	2.1	0.8
In five years or more	-	-	-	-
	2.1	1.5	2.8	1.4

Operating lease payments represent rentals payable by the Company for certain office properties and motor vehicles. Motor vehicle leases have an average term of 2.1 years (2013: 1.8 years) to expiry. Property leases have an average term of 3.9 years (2013: 4.2 years) to expiry.

b) The Group as lessor

Property rental income earned during the year was £1.8m (2013: £2.6m).

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 2014, these properties had a carrying value of £0.4m (2013: £13.5m), and land with rental units had a carrying value of £3.2m (2013: £3.2m). At 30 June 2014, these rental agreements had an average term of 1.3 years (2013: 1.8 years) to expiry and total rental receivables over the remaining lease period are £5.3m (2013: £7.5m) with £1.1m (2013: £1.8m) within one year, £2.3m (2013: £4.0m) in more than one year and no later than five years, and £1.9m (2013: £1.7m) in five years or more.

35. 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 £490.5m (2013: £447.5m), and confirm that at the date of these Financial Statements the possibility of cash outflow is considered minimal and no provision is required.

35. Contingent liabilities (continued)

b) Contingent liabilities related to joint ventures and associates

The Group has given counter indemnities in respect of performance bonds and financial guarantees to its joint ventures totalling £30.2m at 30 June 2014 (2013: £2.6m). The Group has also provided principal guarantees of £12.0m and cost and interest overrun guarantees in relation to the borrowings of a number of the Group's London joint ventures (2013: £nil). At 30 June 2014, no cost or interest overruns had been incurred (2013: £nil). The Group's maximum exposure under these cost and interest overrun guarantees is estimated at £8.6m as at 30 June 2014 (2013: £nil).

At 30 June 2014, the Group has an obligation to repay £0.9m (2013: £0.9m) of grant monies received by a joint venture upon certain future disposals of land.

The Group has also given a number of performance guarantees in respect of the obligations of its joint ventures, requiring the Group to complete development agreement contractual obligations in the event that the joint ventures do not perform as required under the terms of the related contracts.

c) 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.

36. 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 10. 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 2014 totalled £810.2m (2013: £969.6m).

During the year ended 30 June 2014, the Company made management charges to subsidiaries of £51.5m (2013: £44.3m) and received net interest on Group loans from subsidiaries of £51.4m (2013: £32.3m).

The Company and Group have entered into counter-indemnities in the normal course of business in respect of performance bonds.

c) Transactions between the Group and its joint ventures

The Group has entered into transactions with its joint ventures in respect of development management and other services (with charges made based on the utilisation of these services) and funding. These transactions totalled £8.6m (2013: £2.5m) and £2.5m (2013: £1.2m). 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, in the previous financial year, 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.

During the year the Group received dividends totalling £23.6m (2013: £nil) from its joint ventures.

The amount of outstanding loans and interest due to the Group from its joint ventures at 30 June 2014 is disclosed in note 15. The amount of other outstanding payables to the Group from its joint ventures at 30 June 2014 totalled £nil (2013: £nil).

The Group's contingent liabilities relating to its joint ventures are disclosed in note 35.

The amount of outstanding loans due to the Company from its joint venture at 30 June 2014 is disclosed in note 15. 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 2014 was £nil (2013: £nil). There were no other amounts outstanding to the Group from its associates as at 30 June 2014.

The Group's contingent liabilities relating to its associates are disclosed in note 35.

Notes to the Financial Statements continued

36. Related party transactions (continued)

c) 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' ('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 Group entered into the following transaction which, for the purposes of IAS 24 is considered to be a 'related party transaction'.

In August 2014, Mark Clare, Group Chief Executive, reserved an apartment (including a car parking space) from Fulham Wharf LLP, a joint venture partnership between BDW Trading Limited (the Company's main trading subsidiary) and London and Quadrant Housing Trust (L&Q), at a purchase price of £1,692,350. This purchase was conducted at a fair and reasonable market price based on four independent market valuations and similar comparable transactions at that time. An amount of £2,500 was paid on reservation. As at 9 September 2014, contracts had not been exchanged between the parties. A deposit will be payable on exchange of contracts and the remaining balance will become payable on legal completion, in accordance with the Group's normal terms of trading.

In respect of the transaction between the son of Mark Clare and Alie Street LLP (another joint venture partnership between BDW and L&Q), which was disclosed in last year's report, legal completion occurred on 20 February 2014 and any outstanding balances on that date were paid in full. Accordingly, there are no outstanding balances in respect of this transaction as at 30 June 2014.

Fulham Wharf LLP and Alie Street LLP are not controlled by and are not 'subsidiary undertakings' of the Company.

On notification by Mark Clare of the above transactions, the Board sought advice from its legal advisers and corporate brokers in respect of the application of Chapter 11 and Section 190 did not extend to LLPs and therefore the provisions of Chapter 11 and Section 190 did not apply to either of these transactions. Consequently, no shareholder approval was required for the transactions.

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 2014.

There were no 'smaller related party transactions' as defined in Listing Rule 11.1.10R for the year ending 30 June 2013.

Five Year Record, Financial Calendar, Group Advisers and Company Information

Five Year Record

	2014	2013 (*restated)	2012	2011	2010
Revenue (£m)	3,157.0	2,606.2	2,323.4	2,035.4	2,035.2
Profit/(loss) before tax (£m)	390.6	104.5	100.0	(11.5)	(162.9)
Share capital and equity (£m)	3,354.0	3,073.2	2,973.8	2,930.1	2,900.2
Per ordinary share:					
Basic earnings/(loss) per share (pence)	31.2	7.7	7.0	(1.4)	(14.5)
Dividend (interim paid and final proposed (pence))	10.3	2.5	-	-	-

* The Consolidated Income Statement and Statements of Comprehensive Income have been restated for 2013 following the adoption of IAS 19 (Revised) 'Employee Benefits' in the year (see note 3 of the notes to the Financial Statements).

Financial Calendar

The following dates have been announced:

Announcement	
2014 Annual General Meeting and Interim Management Statement	12 November 2014
Trading Update	14 January 2015
2015 Interim Results Announcement	25 February 2015
Interim Management Statement	13 May 2015
Trading Update	9 July 2015
2015 Annual Results Announcement	9 September 2015

Group Advisers

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Chartered Accountants and Statutory Auditor

Deloitte LLP
London

Solicitors

Slaughter and May

Brokers and Investment Bankers

Credit Suisse Securities (Europe) Limited
Deutsche Bank AG

Company Information

Registered in England and Wales. Company number 604574

Registered address: Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF