

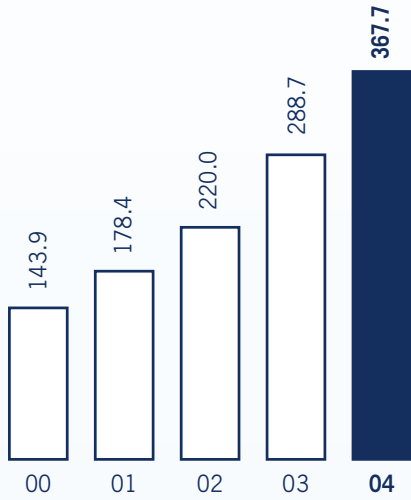


**Barratt
Report &
Accounts
2004**

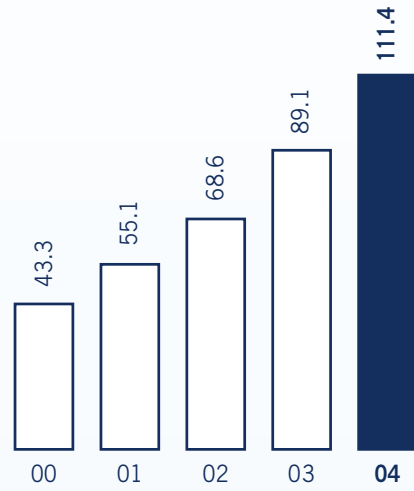


Financial Highlights

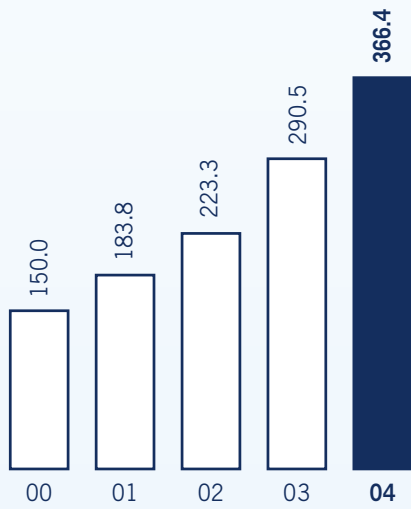
Consistent growth has been achieved across all key financial performance indicators.



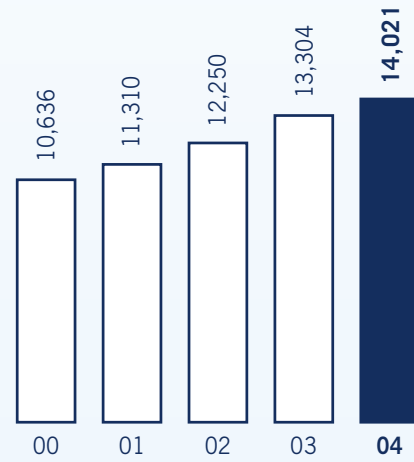
Pre-tax Profits £m
Year ended 30 June



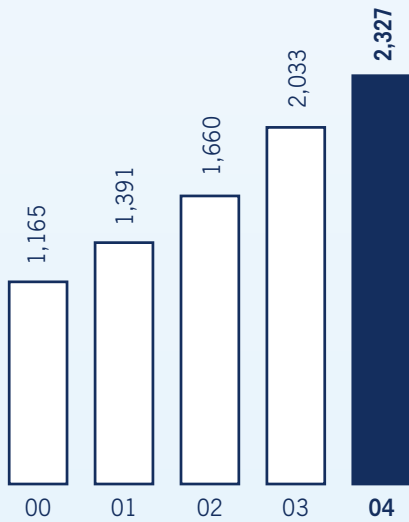
Basic Earnings Per Share pence
Year ended 30 June



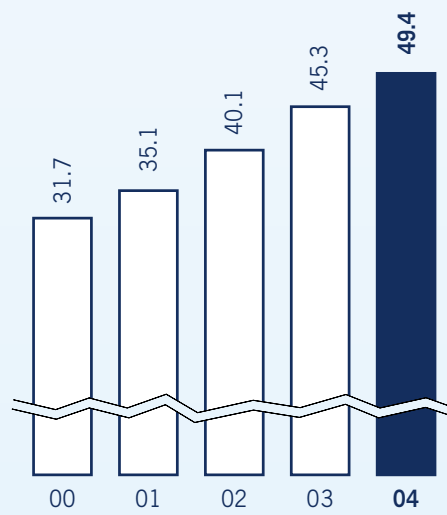
UK Housing Operating Profit £m
Year ended 30 June



UK Legal Completions Units
Year ended 30 June



UK Housing Turnover £m
Year ended 30 June



UK Land Bank 000's plots
Year ended 30 June

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Barratt Developments PLC Annual Report and Accounts for the year ended 30 June 2004. Registered in England No. 604574.

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Main cover image and below: Crown Heights, Basingstoke. This major urban regeneration project provided 288 homes, plus retail and leisure facilities.





Charles Toner, Group Chairman,
Barratt Developments PLC.

Chairman's Statement

Once again, I am very pleased to report the Group has achieved record results with growth in both volume and margins, generating £367.7m pre-tax profit and increasing earnings per share by 25%. This excellent all-round performance delivered our 12th year of consistent growth and maintained our record of increasing earnings per share by over 20% per annum. In addition, for the second year running, we completed more homes in total, and more on brownfield sites, than any other housebuilder.

We are also well placed for the future, having ended the financial year with forward sales of £880m, up 10%. With further sales progress since 1st July 2004, forward sales now stand at £1bn which, together with completions to date, already secures 55% of our full year requirement.

Key features of the results for the year ended 30th June 2004 are as follows:-

- UK completions rose to a total of 14,021, up 5%, at an average selling price of £166,000, up 9%.
- More than 11,000 homes were completed on brownfield sites.
- Turnover rose to £2,516m against £2,171m the previous year, an increase of 16%.
- Pre-tax profit amounted to £367.7m against £288.7m the previous year, an increase of 27%.
- Basic earnings per share amounted to 111.4p against 89.1p the previous year, an increase of 25%.
- A final dividend of 14.68p per share will be recommended (payable on 19th November 2004 to shareholders on the register on 22nd October 2004) against 12.32p the previous year. This gives a total dividend for the year of 21.58p, an increase of 25%, 5.2 times covered. This rate of increase reflects the progress of our Group and the confidence of the Board in our future prospects.

- UK land stocks owned and contracted increased to 49,355 plots. Together with an additional 7,000 plots agreed this brings the total land bank to 56,355 – four years' supply at current volumes.
- Reflecting our constant focus on cash management, we had net cash in hand at the year end of £189.7m (2003: £81.6m cash in hand). This was achieved notwithstanding a £249m increased investment in land stocks and work in progress.
- Return on average capital employed improved again, to 37% (2003: 34%), which maintains our position amongst the highest in the industry.

These excellent results demonstrate the success of our organic growth strategy and the continuing strengthening of our business across all areas of operation.

We greatly benefited from our total geographic spread and by selling to all market sectors at prices from £80,000 to £1.7m, with an average selling price of £166,000. All of our regional markets across Britain remain sound and all produced increased sales and profits. As anticipated, the market has moderated in recent months but continues to perform satisfactorily and in line with expectations. Demand remains underpinned by low unemployment, interest rates which are still historically low and restricted supply due to planning constraints.

We continue to demonstrate our commitment and ability to grow the business organically, which is largely attributable to our land buying, design and planning, and urban regeneration skills. Together with our national coverage, these enable us to take advantage of a greater range of land and development opportunities and the Government's emphasis on urban regeneration.

Our Southern California division increased operating profits from £10.7m to £18.9m, before an impairment provision of £7.5m, from 702 completions and turnover of £172.9m. On 30th August 2004 we completed the disposal of this small part of our total Group operation. This was a strategic decision which will now enable us to focus on our UK operations.

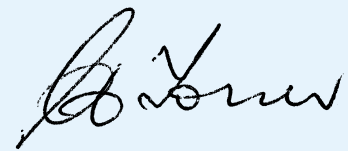
We are pleased to welcome a new non-executive director, Mr Bob Davies, who joined the Board in May. Mr Davies is the Chief Executive of Arriva plc and brings with him a wealth of experience in the business sector.

Our strong management team across Britain has, once again, demonstrated its ability to succeed. On behalf of

the Board, I would like to thank all of our colleagues throughout the Group, both office and site based, for all their hard work. Our record results would certainly not be achieved without their skills and enthusiasm.

Looking to the future, we are very well placed to build on our proven record. Recent interest rate rises have moderated the market and brought a welcome return to more normal trading conditions which should be sustainable and sufficient for us to achieve our goals. Difficulties in the planning system will ensure the supply of new homes cannot meet pent-up demand and this will also continue to underpin the market going forward. We have a high quality land bank, strong

forward sales and we will continue to benefit from our full geographic coverage, wide product range and our track record in urban regeneration. These strengths enable us to adapt to changes in market conditions and, together with our strong financial position, ensure we can target further steady organic growth across the country.



Charles Toner,
Group Chairman

22 September 2004



Kew Meadows, Kew, Surrey. This small-scale development, on a brownfield site in West London, provided 14 luxury apartments and townhouses and is now fully sold.



David Pretty, Group Chief Executive, Barratt Developments PLC, at Visage, Swiss Cottage, London NW3.

Group Chief Executive's Review

Another excellent team performance has again produced a very successful year for the Group. All key statistics improved and our 12th consecutive year of organic growth was achieved. Over the past 12 years – when national housing completions remained largely static – Barratt has *tripled* production and market share. In addition, for the second year running, we completed more new homes in total – and more on brownfield land – than any other housebuilder.

We remain committed to further steady growth and will have the capacity to increase production towards 20,000 homes a year by 2010. We have confidence in the underlying fundamental strength of the housing market and our proven ability to increase production to help satisfy the nation's growing housing needs. Subject to market conditions, we plan to undertake £5bn of urban regeneration projects over the next 3 years, of which £500m will be targeted at social housing.



UK Housing

We completed 14,021 new homes in the UK, an increase of 5%. This helped to increase Group turnover by 16% to a new record of £2,516m which, combined with a further improvement in our margin, produced a record Group pre-tax profit of £367.7m, an increase of 27%.

The operating profit from our core UK housing activity increased to £366.4m, up 26%, with the

operating margin continuing to increase, from 14.3% to 15.7%.

This improvement reflects the benefits of continued sales momentum, strengthened revenues, improved overhead recovery, strict control of all costs and more stringent land acquisition criteria.

Our average private selling price rose 10% from £158,600 to £173,900, again partially reflecting growth south of the Midlands. Our total geographic spread has, however, been maintained with 51% of

completions in Scotland, the North and Midlands and 49% in the South.

We remain committed to strong cost control and maintained administration overheads at 3% of revenue, again one of the lowest in the industry. We continue to benefit from the strength of our long-standing national purchasing agreements with our main suppliers. These helped us contain increases in the year just ended to 5% and we would not expect that increase to be exceeded this year.

Sovereign Quay, Cardiff Bay. This award-winning development in a high-profile location provided 60 apartments, which are now all sold.



Group Chief Executive's Review

Housing Market

All of our regions remain sound, including London and the South-East, and all produced improved performances.

As expected, following several interest rate rises the market has moderated in recent months. This has made the market more sustainable going forward and sufficient for us to achieve our objectives. We expect selling prices in the year ahead to rise much less rapidly, probably in line with incomes at around 4%, and this will help

affordability. A more stable market will also provide a firm foundation for our future growth.

The demand for new homes continues to be supported by historically low interest rates, good employment levels and the continuing serious constraint on supply caused by delays within the planning system.

The fundamentals therefore remain sound but our Group also benefits from a number of core strengths, which consistently assist our performance and provide added protection from any market fluctuations.

Geographic and Product Diversity

One of our greatest strengths is our geographic spread across the country. Currently we have 430 developments being built by 32 operating divisions throughout England, Scotland and Wales. Our divisions are run by local men and women, possessing a good knowledge of their local markets and sensitive to local needs and aspirations.

Also, our ability to build homes serving all sectors of the market, at prices currently from £80,000 to £1.7m, maximises our opportunities to appeal to the widest range of buyers. This prevents an over-dependence on any one geographical



area or market sector and increases our ability to adjust production, sales and land buying in line with any market changes.

Urban Regeneration and Brownfield Development

We remain industry leaders in the regeneration of Britain's urban areas and our expertise in this vital area stretches back close on 30 years. Today, over 80% of our homes nationwide are built on brownfield sites, significantly exceeding the Government's 60% target, and more than any other housebuilder. This rises to over 95% in London and the South East.

Last year, more than 200 new Barratt homes were built on brownfield sites each week, a total of over 11,000. We are devoting greater resources to this sector and are well-positioned to benefit from, and assist, the Government's important emphasis on urban regeneration. Our regeneration work continues to be recognised by an increasing number of architectural design, construction quality, and environmental awards.



- 1 Brewery Wharf, Leeds. At the heart of this major mixed-use development – one of the largest ever undertaken in the city centre – we are building 325 riverside apartments. Over 80% are already sold.
- 2 The Ice Works, Camden, London NW1. Unightly sheds were demolished to make way for an ultra-modern development of 14 luxury apartments and offices in a canalside setting overlooking Camden Lock.
- 3 Scholar's Walk, Kingsbridge, Devon. On a former school site, this development provided a wide mix of 2,3 and 4 bedroom homes to meet local housing needs.
- 4 Buckshaw Village, Chorley, Lancashire. This £400m joint venture is creating a sustainable new community of 2,000 homes and a business park. Right to left: Harold Walker, Deputy Group Chief Executive, Barratt Developments PLC; Neil Fitzsimmons, Managing Director, Redrow PLC; Lindsay Hoyle, MP for Chorley; and David Borrow, MP for South Ribble.



Group Chief Executive's Review

Social Housing Partnerships

We are leaders in the provision of affordable housing, be it low cost homes for sale, rent, shared ownership or for those with special needs. In the year we built 1,308 homes for our Housing Association partners, which represents an increase of 250% over the past six years.

Today we have 79 partnerships under way across Britain with a further 77 in the pipeline. There is an ever-growing need for partnership housing and, with our network of local divisions and long experience in this field, we are well placed to help satisfy the national shortage.

Land and Planning

Our land acquisition and planning skills have been an important part of our success in growing organically in an increasingly difficult planning environment. We exercised prudence in the land market throughout the year, raising land purchase criteria twice.

Nevertheless, during the year we acquired 18,076 plots, 29% more than we used, bringing the total UK land stocks to 49,335. Together

with 7,000 further plots agreed, this brings our total UK land bank to over 56,000, four years' supply at current volumes.

We have one of the best-quality land banks in the industry. During the year we achieved detailed planning approval for 15,500 plots and have all the necessary approvals in place to achieve our requirement for this year. Furthermore, 90% of the land required for 2005/06 is already owned or contracted, and over 60% for the following year.

We welcomed the Barker Report published in March 2004 and its excellent analysis of the causes of the lack of supply in British housing. The main conclusion was that delays within the planning system were the major cause of the problem and we are well placed to build more homes should the various recommendations be implemented.

It is clear the Government is committed to improving the planning system and we very much hope that the majority of the recommendations are implemented.

- 1 The Switch House, London E14. Close to Canary Wharf, this innovative regeneration of a redundant electricity station site has created a landmark building of 60 apartments.
- 2 Letcombe Park, Wantage, Oxfordshire. We transformed an eyesore scrapyard adjacent to the town centre, creating 168 homes, including 42 for rent and shared ownership.
- 3 Squires Lodge, Sharnbrook, Bedfordshire. Homes for rent and low-cost ownership were provided here through a partnership with Jephson Homes Housing Association.
- 4 Paul Gieron, Chairman of KingsOak Central, with Deputy Prime Minister John Prescott at Market Square, Wolverhampton, a landmark regeneration project which included 64 apartments.





- 1 West of the Green, Bristol. Barratt are lead developers on this former hospital site, which has provided over 400 new homes and proved very successful. We are now completing the final phase.
- 2 Trevelyan, Windsor. This former school site is providing 99 homes for sale, rent and shared ownership.
- 3 Robert Handford, Chairman of Barratt Central, (right) with Housing Minister Keith Hill at Oakley Chase, Corby, one of four Barratt developments providing over 350 new homes in this important regeneration area.



Group Chief Executive's Review

Land and Planning *continued*

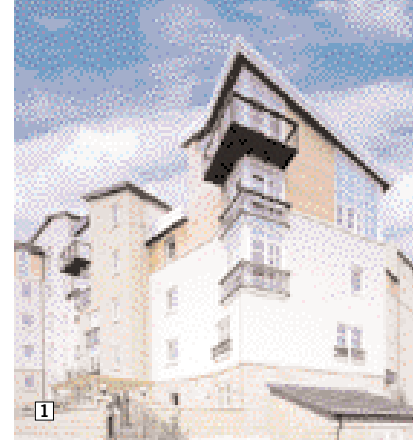
However, this will inevitably take time and therefore we do not believe there will be improvements in the short term. Nevertheless, we believe there are further opportunities to grow, particularly for those organisations such as ourselves which possess the necessary design, construction and urban regeneration skills.

Accordingly, we have been strengthening the land and planning functions in all of our divisions to ensure we maximise on every opportunity, with particular emphasis on brownfield developments.

Subject to market conditions, we plan to undertake £5bn of urban regeneration projects over the next 3 years, including £500m for social housing.

An important part of our growth strategy is the further controlled expansion of 10 of our most experienced and successful divisions into 'super' divisions, each capable of building over 700 homes per annum. These existing teams benefit from larger sites with higher densities, which are already allowing them to exceed our usual optimum production of 500 units per annum. Their additional growth can also be achieved with limited increases in overheads.

The establishment of four new divisions in key growth areas over the next two years will also increase our land acquisition and regeneration opportunities in areas where we are either under-represented or where we believe there is future significant growth potential.



1 The Spectrum, Edinburgh. We currently have 8 schemes under way in the city. This stylish development created 63 homes and is now fully sold.

2 Clausentum Quay, Southampton. This spectacular development of 85 apartments is on a well-located waterfront factory site close to the city centre and the M27.



Group Chief Executive's Review



- 1 Clive Fenton, Chairman of Barratt Southern, (centre), with Gina Marshall, regional training co-ordinator, Michael O'Leary, Divisional Director and sales negotiators who have successfully completed a new training course.
- 2 Colin Dearlove, Group Finance Director, with the Newcastle division's Apprentice of the Year, joiner Andrew Dodd.
- 3 Tom Durband, our 500th apprentice. We continue to increase our commitment to skills training and now have 530 apprentices, the largest number in the industry.



Skills Training

We continue to devote significant time and resources to our apprentice and graduate training schemes, which continue to expand. Already the largest training programme in the industry, the number of apprentices now under training on our sites has grown to 530. In addition, we now have 55 graduates on fast-track career paths.

As always, we are impressed by the enthusiasm and performance of these young recruits, many of whom are already progressing within the Group, and helping us address the national skills shortage.

USA

Our Southern California USA operation performed well in the period building 702 homes, up 17%, on turnover up 37% to £172.9m. This produced a 77% increase in operating profits, from £10.7m to £18.9m, before an impairment provision of £7.5m.

After several years of losses the progress of the division in recent years, and its return to profitability, had been welcome. However, it was a small part of our total Group operation and its disposal in a strong USA housing market, on terms which we believe are attractive to our shareholders, is also a strategic move which will enable total focus on our core UK activities.

The sale, to an acquisition vehicle headed by three members of the Barratt American management team, was successfully completed on 30 August 2004 and the proceeds of £90m will be used for the selective purchase of land for urban renewal projects targeted at key growth areas.



Corporate Social Responsibility Report

This year we have produced our first independently verified Corporate Social Responsibility (CSR) Report, which reviews our corporate, social, environmental, and health and safety activities. The report identifies not only our strengths but also reinforces our commitment to continuous improvement in our CSR performance. We accept our wider responsibilities and are developing new management systems and actively engaging with our stakeholders to improve our overall effectiveness.

Our CSR activities, as demonstrated in our separate report, already contribute positively to our overall business performance and profitability. We believe the further investment now being made in this increasingly important area of our business will assist in generating further value to our shareholders.

Advance Housing

Our joint venture company, Advance Housing, is now producing steel-framed modular housing from its newly commissioned production facility in Daventry, Northants.

It has now completed its first homes, with 23 homes occupied in the East Midlands and well received by their private purchasers. A further 58 homes were completed on 6 other sites, including 11 for our first Housing Association client.

The concept has considerable potential, particularly with the growing Government emphasis on modern methods of construction. However, we shall be controlling output whilst we refine production techniques and on-site erection procedures. We plan to deliver around 300 new homes in the year, subject to achieving the necessary planning approvals.



1 Dan-y-Gollen, Crickhowell, Powys. Located on the edge of the Brecon Beacon mountains, these new homes feature local architecture and materials.

2 Advance homes are built using modular manufacturing technology.

3 Our first Corporate Social Responsibility Report.



Group Chief Executive's Review

Health and Safety

Over the last three years, a sustained senior management focus on health and safety, and the ongoing development of our risk-based Occupational Health and Safety Management System (OHSMS), has transformed the standards and performance achieved across our operating divisions.

This year, once again, the independent health and safety audit inspections undertaken every three weeks by the NHBC on our development sites, have confirmed our performance rating remains ahead of the national housebuilder average. The progress we have made is a credit to our dedicated health and safety management team and to all of our staff. We are not complacent, however, and we are striving for further improvements. This year work will continue on the introduction of a comprehensive audit protocol for our OHSMS and we will continue to engage with our contractors and sub-contractors in relation to our health and safety values, performance standards and training programmes.

Customer Care

We recognise that the housebuilding industry has not enjoyed the best of reputations with its customers and its general satisfaction rates have been lower than other industries.

We have given much greater focus to this part of our operation in the past year and, in Summer 2003, completely reviewed and overhauled our quality monitoring and customer care procedures. As a result, a major new initiative was introduced throughout the Group and on all of our sites which is already bearing fruit with significantly improved customer satisfaction levels. All of our teams remain deeply committed



to our buyers' expectations and we shall continue to drive for even further improvements.

Awards

I am pleased to report that the work of our construction teams was recognised by the NHBC during the year with our divisions winning our highest ever number of building quality awards in the "Pride in the Job" campaign.

The Group also won more Greenleaf environmental awards than any other housebuilder for the third year running.

In the coveted national What House? Awards, we were voted Britain's Best Large Housebuilder and, for the second year running, won the Gold Award for Best Brownfield Development in Britain. This follows earlier awards for Best Starter Home, Best Luxury Home and Best Luxury Development.

Barratt was identified in a Design Council report as one of the UK's most effective users of design and innovation, and also took the top position in a survey of the North East's Top 200 companies.



1 Bear Wharf, Reading. This award-winning development of 77 apartments is one of a series of highly-successful projects we have undertaken in Reading.

2 Laurence Dent, Corporate Director, (fourth from right), and Marion Rothnie, Assistant Company Secretary, (left), with members of the Group's Health & Safety team.

3 Steven Boyes, Chairman of Barratt Northern, with award-winning sales negotiator Louise Minnikin (left) and graduate trainee Michelle Crozier, at Melbury, Newcastle Great Park.

Group Chief Executive's Review

Looking Forward

We have produced another set of record results, extending our track record to 12 consecutive years of growth in housing output and financial performance. Our forward sales stand at record levels and the housing market across the country is stable. We are financially strong and our fundamental strengths of geographic spread and product diversity, together with our land, planning and urban regeneration skills, give us confidence in achieving our 13th year of progress. In the years ahead, we believe the British housing market will remain fundamentally sound and the pent-up demand for new homes, including social housing, will increase.

We remain committed to increasing production to satisfy the nation's growing housing needs and have the



capacity, expertise and resources for future growth. We are strengthening our teams at all levels and, subject to market conditions, plan to undertake £5bn of urban regeneration projects over the next 3 years, including £500m for social housing. Through our network of existing divisions, the expansion of our 'super' divisions, and the establishment of four new divisions,

we will have the capacity to steadily increase production towards 20,000 homes per annum by 2010.

David Pretty
Group Chief Executive 22nd September 2004



1 Balkerne Heights, Colchester. This brownfield development uses traditional architecture and materials and is one of four schemes we currently have in and around the town.

2 Kings Reach, Reading. This flagship urban regeneration project on a former warehouse site overlooking the Thames will create 250 homes in total.



Award Winners

Tradewinds, London E16. A joint venture development with Taylor Woodrow. Adjacent to the Thames Barrier, this development won an award for the quality of its construction.



Winner Best Large Housebuilder

A commitment to innovation and continuous product development, coupled with the highest standards of design, construction quality and customer service, has earned Barratt every major industry honour in recent years.

In the annual What House? Awards we were voted Britain's Best Large Housebuilder and won the Gold Award for the Best Brownfield Development in Britain for the second year running, whilst in the Your New Home awards our contemporary development at Pebble Beach, Barry, in South Wales, was judged Best Exterior Design.

During the year our Site Managers won a record total of 52 awards for quality workmanship in the NHBC 'Pride in the Job' campaign and five went on to win top Regional awards.

In the Greenleaf housing awards, presented for the quality of the living environment created around new housing projects, we won 17 awards. These included the special Wildfowl and Wetlands Trust Award for our Park Farm development in Frampton Cotterell, near Bristol, and also the Southern regional award.

Customer service is at the heart of our operations and this year we won 3 top awards for the service we provide to our homebuyers in the Daily Express British Housebuilder Awards.



1 Prince Regents Gate, London NW1. This brownfield development on former railway land opposite Regents Park won a prestigious Greenleaf Award.

2 Geoff Hester, Chairman of Barratt West, (standing, fourth from left) with award-winning site managers in the annual Pride In The Job campaign for quality workmanship. The Group won a record 52 awards in total.

3 The Crescent, Ripon. This development of 24 townhouses has transformed a former garage site and won an award for the quality of its construction.

4 Archie Wilson, Chairman of KingsOak Southern, (left) presents "Forward Through Quality" awards for outstanding performance to (left to right) Andre McHugh, Christine Rogerson and Lloyd Lewin.

5 Our site managers won 5 top Regional Awards in the NHBC Pride In The Job campaign, more than any other housebuilder. From left to right: John Fitzhenry, Neil Stubbs, Bob Burgess, Tim Goldby and Adrian Healy.

6 Coleridge Park, Hertford. This innovative regeneration of a redundant factory site provided high-quality, value-for-money new homes and was judged Best Brownfield Development in Britain.

7 Pebble Beach, Barry. This contemporary scheme of 20 luxury apartments won Best Exterior Design in the Your New Home Awards.



3 Customer Service Awards



Record Award Winner



4 Times National Winner



Record 6 Awards

Award Winners



3



4



5



6



7

21

Directors and Professional Advisers

Directors

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

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

Mr C G Toner, 62, was appointed a non-executive director in May 2002. He was previously the Deputy Group Chief Executive of Abbey National plc and is currently a non-executive director of Ford Credit Europe (FCE) Bank Plc. He was appointed Group Vice-Chairman in June 2002 and Group Chairman in October 2002.

Mr D A Pretty, 59, initially joined the Group in 1976 and was formerly the managing director of Barratt Central London. He left the Group in 1987 to take up a position as managing director of St George PLC. He rejoined the Group and was appointed to the Main Board in 1990. In 1991 he became Chairman of the Barratt Homes Southern Region. He was appointed Group Managing Director in March 1998 and Group Chief Executive in October 2002.

Mr H Walker, 58, joined the Group in 1977 and was managing director of Barratt Manchester from 1988 until his appointment to the Main Board in July 1996 as Chairman of the Barratt Homes Central Region. He was appointed Deputy Group Chief Executive in July 2003.

Mr P H Ashworth, 66, was appointed a non-executive director in May 1997. He is the senior partner in the firm of solicitors, Field Cunningham & Co. and for the last 35 years has specialised in development site acquisition for both residential development and retail and leisure development throughout the UK.

Mr S J Boyes, 43, joined the Group in 1978. Formerly the managing director of Barratt York, he was appointed to the Main Board in July 2001 and is Chairman of the Barratt Homes Northern Region.

Mr R J Davies, 55, was appointed a non-executive director in May 2004. He is the Chief Executive of Arriva plc, a position he has held since December 1998. Prior to this appointment he held the same position at East Midlands Electricity plc, before which he had been Finance Director of Ferranti International plc and Waterford Wedgwood plc. He had earlier held various senior positions with the Ford Motor Company in the UK, USA and Spain.

Mr C A Dearlove, 52, joined the Group finance department in 1981. He was appointed to the Main Board as Group Finance Director in December 1992.

Mr C Fenton, 46, initially joined the Group in 1983 becoming managing director of Barratt West London in 1996. He was appointed to the Main Board in July 2003 and is Chairman of the Barratt Homes Southern Region.

Mr P R Gieron, 50, joined the Group in 1980. Formerly the managing director of Barratt Bristol, he was appointed to the Main Board in July 1997 and is Chairman of the KingsOak Homes Region.

Mr G K Hester, 59, joined the Group in 1996 having formerly held positions as the Chief Executive of Westbury Homes Limited and as a director of the Britannia Group. He was appointed managing director of Barratt Bristol in 1996 and to the Main Board in November 1999. He is the Chairman of the Barratt Homes West Region.

Mr A E Kilburn OBE, 68, non-executive director, was appointed to the Board in April 1998. He has worked in housing for more than 40 years and has held senior positions in both local authority and housing association sectors. Formerly the Chief Executive of Home Housing Association from 1976 until his retirement in April 1998, he is currently involved in a number of charitable enterprises including the North East Civic Trust and the William Sutton Group, of which he is Chairman.

Mr M Pescod, 58, was appointed a non-executive director in October 2001. He is a partner in Tricorn Partners LLP and a director of Racecourse Holdings Trust Limited. He was previously a partner in Slaughter and May.

Secretary

Mr L Dent

Life President

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

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registered Auditors
PricewaterhouseCoopers LLP

Brokers
Cazenove & Co. Ltd

Solicitors
Slaughter and May

Merchant Bankers
UBS Investment Bank

Notice of Annual General Meeting

Notice is hereby given that the forty sixth annual general meeting of Barratt Developments PLC (the "Company") will be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London, EC2Y 5BL on 11th November 2004 at 2.30pm for the following purposes:

1. To receive and adopt the reports of the auditors and directors and the accounts for the year ended 30th June 2004.
2. To declare a final dividend.
To re-elect directors:
3. Mr C A Dearlove who retires by rotation.
4. Mr A E Kilburn who retires by rotation.
5. Mr M Pescod who retires by rotation.
6. Mr R J Davies who retires at the first annual general meeting following his appointment by the Board.
7. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the directors to fix their remuneration.
To consider and, if thought fit, pass the following resolutions of which resolutions 8 and 9 will be proposed as ordinary resolutions and resolutions 10 and 11 will be proposed as special resolutions.
8. That the Directors' Remuneration Report for year ended 30th June 2004 be and is hereby approved.
9. That the Board be and it is generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £5,996,666 being 25.0% of the nominal value of the existing issued share capital as at 22nd September 2004 provided that this authority shall expire on the date of the next annual general meeting after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
10. That the Board be and it is hereby empowered, pursuant to Section 95 of the Companies Act 1985, to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by resolution 9 (subject to the passing of resolution 9) and/or where such allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the said Act, as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (a) in connection with a rights issue in favour of ordinary shareholders (excluding any person holding ordinary shares as treasury shares) where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them provided that the directors may make such arrangements in respect of overseas holders of shares and in respect of fractional entitlements as they consider necessary or convenient; and
 - (b) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value of £1,200,167 being 5% of the nominal value of the existing issued share capital as at 22nd September 2004, and shall expire on the date of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would, or might, require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
11. That the Company be and it is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of its ordinary shares of 10p each ("Ordinary Shares") provided always that:
 - (a) this authority is limited to a maximum aggregate number of 24,003,334 Ordinary Shares;
 - (b) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent of the average of the closing middle market quotation for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased (exclusive of expenses); and
 - (c) the minimum price which may be paid for an Ordinary Share, is 10p (exclusive of expenses).The authority hereby conferred shall, unless renewed prior to such time, expire on the earlier of the date falling eighteen months after the passing of this resolution and the conclusion of the Company's next annual general meeting, save that the Company may before such expiry enter into a new contract under which a purchase of Ordinary Shares may be completed or executed wholly or partly after such expiry and the Company may purchase Ordinary Shares in pursuance of such contract as if the authority conferred hereby had not expired.

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

By order of the Board
L Dent
Secretary
7th October 2004

Notes:

- (i) Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of the member. A proxy need not be a member of the Company.
- (ii) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered at 2.30pm on 9th November 2004 will be entitled to attend and vote at the meeting in respect of the numbers of shares registered in their names at that time. Subsequent changes to the register will be disregarded in determining the rights of any person to attend and vote at the meeting.
- (iii) Copies of contracts of service of the directors with the Company and the register of the directors' interests will be available for inspection at the place of the meeting from 2.15pm until the conclusion of the meeting.

Directors' Report

The directors submit their report and the accounts for the year ended 30th June 2004.

ACTIVITIES OF THE GROUP

The Group's principal activity continues to be housebuilding and development.

A full review of the Group's performance and prospects can be found in the Chairman's Statement on pages 2 and 3, and in the Chief Executive's Review on pages 4 to 18.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 30th June 2004 was £260.5m (2003 £206.4m).

An interim dividend of 6.90p per share (2003 4.94p) was paid on 21st May 2004 and it is proposed to pay a final dividend of 14.68p per share (2003 12.32p) on 19th November 2004 to shareholders on the register at the close of business on 22nd October 2004.

The dividends paid and proposed to be paid amount to £51.4m (2003 £40.2m).

ANNUAL GENERAL MEETING

The notice of the annual general meeting on page 23 contains three resolutions relating to the Company's share capital.

Resolution number 9 requests shareholder approval to renew for one year the directors' authority to allot unissued shares in the capital of the Company and Resolution number 10 requests shareholders to authorise the directors to allot shares for cash in the context of a rights issue and otherwise up to a limit equal to 5% of the issued share capital without initially offering such shares to existing shareholders. The directors consider that the Company should maintain an adequate margin of unissued shares for use, for example, in connection with a future acquisition although they have no present intention of issuing any shares except to satisfy options under the Company's share option schemes.

Under Resolution number 11, the company is seeking renewal for a further year of its authority to make purchases in the market of its own ordinary shares subject to specified limits. Purchases under this authority will only be made on the London Stock Exchange and will be funded from distributable profits. Following implementation of new treasury shares legislation, any ordinary shares so purchased may either be cancelled or held by the company in treasury. The company would consider whether to hold any ordinary shares that it purchases in treasury at the time of purchase. Any ordinary shares held in treasury would be available for re-issue (including pursuant to the authority conferred by Resolution number 10).

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

The total number of options to subscribe for equity shares outstanding as at 22nd September 2004 was 11,257,452 (being 4.7% of the issued share capital at that date and representing 5.9% of the share capital which would be in issue if both the existing authority to purchase shares granted at the 2003 AGM and the authority being sought were fully utilised).

DIRECTORS AND THEIR SHAREHOLDINGS

The current directors of the company are listed on page 22. Mr C Fenton was appointed a director on 1st July 2003 and Mr R J Davies was appointed a director on 5th May 2004. All other directors listed on page 22 held office throughout the financial year.

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

Ordinary shares of 10p each	30th June 2004		1st July 2003 (or later appointment)	
	Fully paid	Executive share options	Fully paid	Executive share options
C G Toner	8,000	–	5,000	–
D A Pretty	91,235	620,000	82,145	580,000
H Walker	273,877	634,679	273,877	520,000
P H Ashworth	5,700	–	5,700	–
S J Boyes	45,238	370,917	15,226	350,000
R J Davies	–	–	–	–
C A Dearlove	54,646	834,275	54,646	775,000
C Fenton	9,973	112,275	–	62,000
P R Gieron	86,999	629,633	86,999	520,000
G K Hester	56,264	349,633	31,664	410,000
A E Kilburn	4,000	–	4,000	–
M Pescod	10,000	–	10,000	–

Directors' Report

At 30th June 2004 the executive directors had a potential future interest in 5,372,140 ordinary shares which are held by the Barratt Developments PLC Employee Benefit Trust.

Details of movements in the directors' interests in executive share options are shown in the Remuneration Report on page 37.

No notification had been received of any change in the above interests during the period 30th June 2004 to 22nd September 2004.

Under the provisions of Article 87 of the company's memorandum and articles of association, Mr C A Dearlove, Mr A E Kilburn and Mr M Pescod offer themselves for re-election. Mr R J Davies retires in accordance with the provisions of Article 86 and offers himself for re-election.

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

CORPORATE GOVERNANCE

Introduction

The Board is committed to achieving and maintaining the highest standards of corporate governance in accordance with the principles of the Combined Code as appended to the UK Listing Rules, administered by the Financial Services Authority.

The Board has fully reviewed the recommendations of the Higgs Review: "The role and effectiveness of non-executive directors", the Smith Report on Audit Committees and the revised Combined Code on Corporate Governance published in July 2003 which took effect for accounting periods commencing on or after 1st November 2003. Although the Revised Code does not apply to the period under review, the Board believes that the Group is already compliant with most of its recommendations other than the proposal that 50% of Board Members, excluding the Chairman, should be independent non-executive directors. During the year an additional non-executive director was recruited, Mr R J Davies, Chief Executive of Arriva plc, increasing the number of non-executive directors from four to five. The Board proposes to recruit another non-executive director during the current financial year. The Board considers that balanced Board membership in line with the recommendations of the revised Combined Code should be achievable by 2006/07.

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

- Mr A E Kilburn was appointed senior independent non-executive director;
- A structured system of performance evaluation has been developed for the Board, its Committees and for individual directors. The system has been operated on a trial basis this year and next year's report will explain how the process of evaluation has been undertaken. The main aims of the process are to:
 - (i) Improve openness, communication and motivation.
 - (ii) Identify gaps or problem areas in terms of knowledge and skills.
 - (iii) Generate new ideas and a culture of continuous improvement.
 - (iv) Promote individual learning and development.
 - (v) Assist with succession planning.
- The Board has undertaken a full review of the Group's Three Year Strategic Plan and Board Objectives have been redefined in line with the plan;
- Committee membership has been reviewed to ensure full compliance with the revised Combined Code and the Remuneration and Audit Committees now comprise wholly independent non-executive directors and the Group Chairman is no longer a member of the Audit Committee.

Compliance Statement

The Board has considered the Company's application and compliance with the Combined Code issued in June 1998 and believes that the Company complied with all of the provisions of Section 1 of the Code throughout the period under review.

Directors' Report

The Board

The Board currently comprises seven executive and five non-executive directors, one third of whom retire by rotation each year. The Board has a specific schedule of matters reserved for its decision which was reviewed and updated during the year.

The Board believes that all non-executive directors, with the exception of Mr P H Ashworth, are wholly independent in that they have no business or other relationship with the Group that might influence their independence of judgement. Mr Ashworth has an ongoing business relationship with the company, details of which are disclosed on page 49. Mr Ashworth is not a member of the Audit and Remuneration Committees. The non-executive directors do not participate in the company's performance related pay, pension or share option schemes. The Board attaches particular importance to the independence of the non-executive directors, their breadth of experience outside of the housebuilding sector and their lead role in assisting and challenging the executive in the strategic direction of the business.

The roles of the Group Chairman and Chief Executive are separate and are clearly defined in the Group's Corporate Governance Manual. The Chairman is responsible for the smooth and effective running of the Board and he also leads the process of performance evaluation of the Board, its Committees and Directors.

The Chief Executive is responsible for the running of the business, for the formulation of strategy and for the implementation of Board decisions. The Chief Executive is also responsible for ensuring the business is properly resourced, and for the effective promotion of the business to investors and shareholders.

On 17th June 2004 Mr A E Kilburn was appointed Senior Independent Non-Executive Director with specific responsibility for coordinating the evaluation by the Nominations Committee of the Chairman's effectiveness as well as being a point of contact for shareholders in the event of there being any material issues or concerns which the Chairman and/or Chief Executive have failed adequately to address.

The Board currently meets eleven times each year, although in the financial year commencing 1st July 2004 the number of meetings will reduce to seven, with one specifically dedicated to the review of corporate strategy. All directors have access to the advice and services of the Company Secretary, a practising solicitor, and, if necessary, to independent professional advisors at the company's expense. Training is available for both new and existing directors as, and when, required. A "whistle blowing" policy and procedure has been established during the year under which employees can report in confidence any concerns they might have of malpractice, financial irregularities, breaches of health and safety, environmental and other Group procedures, discrimination, harassment or any other unethical behaviour.

Board Committees

The Board has established three standing committees, the Audit Committee, the Remuneration Committee and the Nominations Committee, the functions of which are clearly specified within defined terms of reference. The terms of reference were last reviewed in 2003 and will be further updated in the current year to reflect the requirements of the revised Combined Code.

- The Audit Committee is made up of three wholly independent non-executive directors and is chaired by Mr M Pescod. The committee is responsible to the Board for the appraisal of the Group's financial management and reporting systems and for assessing the integrity and effectiveness of its accounting procedures and internal controls. All material issues arising from the internal audit programme are reported to the Board on a monthly basis, including a forward action plan, progress against which is monitored by the Audit Committee and the Board in one and three monthly follow-up reports. The Audit Committee is responsible for determining the audit fee and for keeping under review the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. The Audit Committee is also responsible for establishing the parameters of the Group risk management system, the internal audit programme and for reviewing progress in terms of the management of risk and internal controls. On his appointment as independent director on 5th May 2004 Mr R J Davies was appointed to the Audit Committee and in line with best practice Mr C G Toner and Mr P H Ashworth stood down from membership of the Committee. The Board considers that both Mr M Pescod and Mr R J Davies have appropriate current financial knowledge and experience to effectively discharge their responsibilities as Audit Committee members. In the year under review the Committee met on four occasions.
- The Remuneration Committee is made up of four wholly independent non-executive directors and is chaired by Mr A E Kilburn. The Committee meets at least once a year and its primary role is to determine the terms of employment and remuneration of the executive directors. Further details of the work of the Committee are set out in the Directors' Remuneration Report.
- The Nominations Committee, chaired by Mr C G Toner, comprises all five non-executive directors and Mr D A Pretty. The primary functions of the Committee are to review the structure, size and operation of the Board and to make recommendations to the Board with regard to all new appointments to the Board. In discharging this function the Committee aims to ensure that all directors possess a balanced range of skills, experience and expertise in order to discharge their responsibilities effectively. The appointment of Mr R J Davies was made following an external recruitment exercise undertaken by recruitment consultants Spencer Stuart. The Committee oversees the Group's succession plan process and led by the Chairman is responsible for the Board, Committee and Directors' evaluation procedure.

Directors' Report

Group Organisational and Management Structure

As Group parent, Barratt Developments PLC, through its Board of directors, retains overall responsibility for the control and strategic direction of the business and for the allocation of funding and resources. Housebuilding and development operations are delivered through a decentralised regional and divisionalised structure. The managing director of each operating division and the local management team make up the divisional board, each of which is chaired by a Regional Chairman. Each divisional board meets monthly to oversee local housebuilding operations and performance. Although each division is run and monitored as a freestanding business, they operate within clearly defined central parameters in relation to overall strategic direction and financial control. This tried and tested structure enables the divisions to be responsive to local demand and market conditions, whilst at the same time benefiting from the disciplines, financial strength and economies of scale of a large national Group.

There are currently four operating regions within Barratt Homes Limited, Northern, Central, West and Southern covering England, Scotland and Wales. KingsOak Homes Limited, which has its own corporate identity and product branding, now has two operating regions, KingsOak Southern and KingsOak Central. Each operating region including the two KingsOak regions are headed up by a Regional Chairman who is either an executive director or is a member of the executive management team.

On 1st July 2004 Mr R Handford was appointed Regional Chairman of Barratt Central taking over responsibility for the Region from Mr H Walker to enable Mr Walker to focus on his main duties as Group Deputy Chief Executive. Mr A W Wilson was appointed Regional Chairman of KingsOak Southern reflecting the strong organic growth delivered over the last three years by KingsOak which is now a major housebuild operation in its own right with eight divisions producing over 2,300 units in the year under review. Under this new KingsOak management structure, Mr Wilson assumes executive responsibility for the four Southern KingsOak divisions, with Mr P R Gieron heading up the four Central divisions as well as continuing in his role as an executive director of Barratt Developments PLC.

The appointment of two additional Regional Chairmen to the executive team represents a shift from the Group's previous management structure under which all Regional Chairmen were appointed executive directors serving on the Group Board. The new structure ensures that the Group now has an appropriate level of senior executive management resource for the effective control of its expanding Regional and Divisional infrastructure. At the same time the new structure recognises that having regard to the revised Combined Code, the balance of membership of the Group Board will change over the next few years through natural turnover. Linked to the strengthening of the operational management structure, as part of its three year strategic plan, the Board also intends to ensure that the Group's infrastructure and operational support systems are of the quality and standards necessary to maintain the Group's position at the forefront of the housebuilding sector at a time when the expectations of our shareholders for outstanding performance in all facets of our business have never been greater.

As Group Deputy Chief Executive, Mr H Walker, as well as assuming executive responsibility for the development of the Group's off-site manufacturing capability through Advance Housing Limited, is also responsible for the review and improvement of key operational support systems including, national supply arrangements, housetype designs and product specification. The Group Company Secretary, Mr L Dent, who has strategic and corporate management expertise outside of the housebuilding sector was appointed Corporate Director and a member of the Executive Board with effect from 1st July 2004. In his extended role Mr Dent will assume executive responsibility for Group Corporate Social Responsibility performance, including health and safety and environmental management systems and for information technology, human resource management and internal audit.

Directors' Remuneration

The policy for and details of directors' remuneration are contained in the Remuneration Report on pages 31 to 37.

Accountability and Audit

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30th June 2004. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

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

Directors' Report

Internal Control System

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

- A clear organisational structure with defined levels of authority and responsibility for all senior management.
- A comprehensive strategic planning, budgeting and forecasting system with monthly reporting to the Group and the Executive Divisional Boards of the results and forecasts of all Group operating units against budget.
- Operational procedures, control parameters and accounting policies are embodied in the Group Policy and Accounting Manuals which are issued to all divisions and are regularly reviewed and updated.
- All major land acquisitions and capital projects are subject to rigorous financial and environmental appraisal within established parameters and also to formal authorisation procedures by main Board directors, divisional Boards or senior management within authorities approved and reviewed by the Board.
- The internal control and risk management systems are overseen by the Audit Committee. Key risk areas, including finance, land buying, sales, production planning, quality and customer service standards, the market and environmental and health and safety performance are an integral part of our management reporting systems and are reviewed and monitored by the Group Executive and Divisional Boards each month. The risk management system, the Combined Code and internal control exception reports are reviewed by the Board on a quarterly basis.
- The internal control systems are supported by the Group Internal Audit Team which is responsible for advising Senior Management, the Board and the Audit Committee on the operation and effectiveness of the internal control system. The Internal Audit Team conducts a scheduled programme of audit appraisals across the Group operations, the results of which and follow up action plans are reported to the Board at each meeting.

The directors have reviewed the operation and effectiveness of the Group's system of internal control for the year ended 30th June 2004. The review covered all controls including financial, operational, compliance controls and risk management.

CORPORATE SOCIAL RESPONSIBILITY

During the year the Group has clearly defined its policy in relation to Corporate Social Responsibility as follows:

"We are committed to legal compliance in all our activities and strive for continuous improvement in all areas of our business. We have adopted appropriate measures to help us to monitor and improve that performance, as demonstrated in our annual Corporate Social Responsibility (CSR) report.

At every stage of development, from feasibility assessment, to the design, construction and occupation of the homes we build, the Group considers the economic, environmental and social issues relevant to the project. In the creation of sustainable development we work to promote best practice in the acquisition of materials, in design standards, in the construction process and in the service provided to our customers as they take up occupation of the houses we build. Regeneration of land used for other purposes is the cornerstone of our development activity.

Fundamental to our operation is profitability, which is linked to the potential impact of our development on the local economy and in the creation of attractive and healthy living environments. Our responsibilities extend from the encouragement of social inclusion in local communities, to the development of the skills of our employees, provision for staff advancement, as well as the protection of the occupational health and safety of the public and of our employees and contractors.

We are actively seeking to engage our customers and other stakeholders, especially our staff, contractors and National Supply Partners, who are central to the success of our CSR activity."

In implementing our Corporate Social Responsibility Policy we have taken the opportunity to develop our governance and management systems and the Corporate Director, a member of our Executive Team, supported by a team of senior personnel from across the business will be responsible to the Board for taking the initiative forward and for performance monitoring and reporting.

The Group's first Corporate Social Responsibility Report has now been produced and has been the subject of an external assurance process. A verification statement is included in the report from our verifiers SEQM Limited. The report covers all aspects of our social and environmental performance, the management of occupational health and safety, our investment in training and development and our engagement with customers, shareholders, suppliers, contractors and other stakeholders in the delivery of our Corporate Social Responsibility objectives.

ENVIRONMENTAL PERFORMANCE AND SUSTAINABILITY

Through its environmental policy the Group seeks to restore and enhance the natural environments in which its developments are set to improve the environmental performance of its products and to minimise the potential adverse impacts of our business operations. For almost 30 years Barratt has been at the forefront of urban regeneration in the UK and over 80% of our developments utilise brownfield land; in the South East the figure rises to 95%. In the period under review the Group has recycled over 700 acres of brownfield land throughout Britain.

Directors' Report

All of our land reclamation projects, often involving difficult sites in urban locations, are subject to rigorous feasibility assessments, including environmental and risk surveys undertaken by specialist external advisors, identifying both potential adverse impacts and opportunities to preserve and enhance existing environmental features. Site preparation and construction operations are monitored in close conjunction with the NHBC, local authorities and the environmental agencies. We also work closely with our construction teams and contractors to address issues arising from on-site activities, minimising any disruption to local communities and to encourage efficiency.

Since 2001 we have comprehensively improved waste management performance across all of our site operations and the standards now achieved are at the forefront of the industry. Working in conjunction with Wastefile UK, our waste management facilitator, waste tonnage data is collected and monitored from all operational sites. All waste is segregated, recovered and wherever practicable allocated for recycling or reuse. All operational sites have a controlled auditable waste transfer system, tracing waste from creation to storage and segregation, collection and disposal or recycling and reuse.

The development of our first CSR report has led to an ongoing review of our environmental impacts and work is proceeding on the implementation of the ISO 14001 environmental management system across our business which will further improve the effectiveness of our environmental performance and our ability to monitor the progress made against our longer term objectives.

Further details of our environmental performance and our targets for the year ahead can be found in our separate CSR report.

HEALTH AND SAFETY

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

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

The investment made in the development of our occupational health and safety management systems has led to a sustained and measurable improvement in the safety standards achieved on our sites. For the second year running the average safety standard ratings achieved by Barratt as measured by an independent site safety inspection service undertaken by the NHBC have been ahead of the average ratings of all other national housebuilders using the service. The incident rate on our sites, including both notifiable and reportable incidents, has improved in the year to 928, per 100,000 employees (including subcontractors) and we have an ongoing objective to improve on this performance in the year ahead.

EMPLOYMENT POLICY

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

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

The Group is committed to employee training and development at all levels of the organisation and endeavours to contribute to the industry's future skills base by an extensive recruitment and training programme for apprentices and graduate trainees. The Group currently employs over 530 apprentices and 55 graduate trainees recruited from communities close to its areas of operation and its policy is to ensure that the majority of divisions and housebuilding sites employ both graduates and apprentices. To stimulate further graduate recruitment the Group subscribes to "Graduate Prospects", a national publication used by most universities and colleges of further education, and has recently established a recruitment and employment opportunities website.

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

As a business our commitment to quality and continuous improvement is absolute. Our National Employee Award scheme forms an important part of our "Forward Through Quality" initiative which seeks to raise quality and performance standards through a process of internal monitoring and appraisal. The Board recognises that the strength and quality of its leadership resource is crucial to the continued prosperity and commercial success of the business. The Board is therefore undertaking a review of the Group's succession planning arrangements and a management development and support programme linked to our targeted operational growth areas is being developed.

Directors' Report

During 2003/04 a review of employment procedures and processes has been undertaken and a new Employee Handbook has been introduced covering all of our workforce. An Employment Procedures Guide for Managers is being developed and will be introduced this year.

SHAREHOLDER RELATIONS

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

During the year a structured investor communications programme has been developed in conjunction with Weber Shandwick Square Mile our financial PR advisors. Also in the year an "investor relations" website has been established (www.barratt-investor-relations.co.uk) which includes a full Company profile, regular corporate news updates and access to Company share price and regulatory announcements. In the years ahead we are looking to develop the website in conjunction with our Registrars to provide a shareholding service and a shareholder portal to enable shareholders to view the details and history of their holding.

Our annual and interim reports will continue to be the primary means by which information about the Group, its Board and its business is communicated to institutional and private shareholders, investors and analysts. In addition, other major company publications are also circulated to shareholders, which this year includes the Group's first separate Corporate Social Responsibility report.

The Annual General Meeting is used to enable private shareholders to discuss the Group's operations and progress directly with the Board. Information of a price sensitive nature is communicated as required by the Company Secretary to the Company Announcements Office of the Stock Exchange and the Group strives to ensure that all key information is effectively and clearly communicated.

In addition to the above formal communications, the Company meets regularly with institutional investors and analysts in order to convey an understanding of the Company's operations, the market and its management objectives. The aim is to meet with major institutional shareholders at least once a year. Press releases on the Company's activities are made to journalists and the media through the Group Press Office and its external financial public relations consultancy service, Weber Shandwick Square Mile. The Group broker, Cazenove & Co., also works actively on its behalf in an effort to ensure that investors and potential investors in the business are given reliable information on the Group's operations, its values and ethos in order to make informed investment decisions.

STATUTORY INFORMATION

At 22nd September 2004 notification had been received of the following interests which exceed a 3% interest in the issued share capital of the company.

	Date of notification	Ordinary shares of 10p each	% of issued share capital
FMR Corp	17.06.04	33,192,600	13.84%
Barclays PLC	17.08.04	22,825,283	9.52%
Legal & General Investment Management Ltd	14.01.03	7,233,924	3.04%

During the year the Group made charitable donations of £4,000 (2003 £6,000). No political contributions were made during the year.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group will be required to adopt International Financial Reporting Standards (IFRS) for the year ending 30th June 2005 which will include comparative information for 2004. Our core policies for turnover and profit recognition and the value of land and work in progress should be unaffected. A small team has been established to assess the full impact on the Group of IFRS, which are currently undergoing a period of further change.

CREDITOR PAYMENTS

Each Group company is responsible for agreeing the detail of terms and conditions relating to transactions with its suppliers. It is Group policy to abide by the agreed terms of payment with suppliers where the goods and services have been supplied in accordance with the relevant terms and conditions of contract. Implementation of this policy resulted in a supplier payment period for the company of 36 days (2003 41 days) for its trade creditors at 30th June 2004.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

On behalf of the Board
L Dent
Secretary
Newcastle upon Tyne

7th October 2004

Remuneration Report

Introduction

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

Remuneration Committee

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

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

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

Membership and Proceedings of the Remuneration Committee

The members of the Remuneration Committee are all non-executive directors and during the year have comprised Mr A E Kilburn (Chairman), Mr C G Toner, Mr M Pescod and Mr R J Davies with effect from 5th May 2004. All Committee members are considered to be wholly independent with no financial interest, other than as shareholders of the Company, in the Committee's decisions. The Group Chief Executive attends meetings of the Committee as required but he is not present when matters affecting his own remuneration are considered.

Other than as expressly identified in this report the Remuneration Committee has complied with the Combined Code on Corporate Governance issued in June 1998. The Committee recognises its accountability on executive remuneration to shareholders through this report and in determining future remuneration policy it will consider both the shareholders' vote on the report and views expressed by shareholders on the detail of the report.

Advice

Advice is provided to the Remuneration Committee by the Company Secretary, Mr L Dent, a practising solicitor. Mr Dent also acts as secretary to the Committee. In addition, Watson Wyatt LLP were appointed by the Committee to advise on a range of issues, including the current market positioning of the Group's executive remuneration having regard to a comparator group of other housebuilding companies, including Persimmon, Wimpey, Taylor Woodrow and Bellway.

Mercer Human Resource Consulting Limited have advised the Company in relation to various pensions issues and, with effect from 10th July 2004, were appointed to provide actuarial services to the Barratt Group Pension and Life Assurance Scheme.

Remuneration Policy

This report details the company's remuneration policy both for 2004/05, and so far as practicable, for subsequent years. Any changes made to the policy will be identified in subsequent Remuneration Reports to shareholders. Central to the Group remuneration policy is recognition that the sustained growth and profitability of our business is determined in no short measure by the skill and commitment of the executive team. The reward policy for executive directors seeks to provide remuneration and other service conditions which will attract, retain, motivate and reward executive directors of the highest calibre within the industry's highly competitive employment market. Within these broad objectives the executive remuneration package is based on the following principles:

- the greater part of remuneration paid to executives should be linked to the achievement of demanding performance targets, currently over 50% of the total executive remuneration package is performance based;
- performance related remuneration should align the interests of executives with those of shareholders by setting performance targets based on measures of shareholder return;
- total remuneration for outstanding performance should be competitive with that available elsewhere in the sector;
- executive director remuneration should be determined with due consideration to the rewards and conditions of all Group employees, particularly in relation to the annual review of basic salary.

Remuneration Report

The Remuneration Package for Executive Directors

The remuneration package for executive directors comprises:

- basic salary;
- annual profit related bonus;
- Long-Term Performance Plan;
- share option scheme;
- pension and other benefits.

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

Basic Salary

Basic salaries for executive directors are a fixed annual sum payable monthly in cash. Salaries are set having regard to individual responsibilities, skills and experience and are currently based on the market median for similar positions in large national housebuilding companies. Salaries are reviewed each year by the Remuneration Committee and the following were set with effect from 1st July 2004:

	£		£
D A Pretty	416,500		(2003 : 400,400)
H Walker	300,000	(with effect from 1st April 2004)	(2003 : 250,000)
S J Boyes	250,000		(2003 : 220,000)
C A Dearlove	235,000		(2003 : 225,000)
C Fenton	250,000		(2003 : 175,000)
P R Gieron	250,000		(2003 : 239,000)
G K Hester	250,000		(2003 : 239,000)

Annual Profit Related Bonus

Each executive director also participates in an annual profit related bonus scheme based on the annual level of the Group's pre-tax profit with awards made at 0.1333% of the Group's pre-tax profit for the Group Chief Executive, 0.1165% for the Group Deputy Chief Executive and 0.1% for all other executive directors. A similar annual bonus scheme is operated for senior management in all Group Regions and Divisions based on a percentage of pre-tax profit for each Region and Division.

As reported in the 2003 Report the annual profit related bonus has been reviewed by the Remuneration Committee. As a result of this review a minimum profit hurdle must now be achieved before payouts to executive directors commence. Although this has not been an issue for the business given the sustained profit growth over the last twelve years, this ensures that in the event the profit hurdle is not met in the future for any reason bonus payments will not be made. Above the minimum profit hurdle bonus payments will be made under a vesting arrangement linked to predetermined profit targets approved by the Remuneration Committee.

Share Option Schemes

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

In accordance with best practice the Remuneration Committee has reviewed the performance condition and for options granted after 1st July 2004 the three consecutive financial years over which the earnings per share growth target must be met will commence with the financial year during which the options are granted. If the target is not met over this fixed three-year period then options will lapse. There will be no retesting of performance.

Pension Benefits

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

Remuneration Report

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

As reported to shareholders in previous remuneration reports, annual profit related bonus is included in the calculation of final pensionable salary. The Remuneration Committee recognises that for executive directors the inclusion of profit related bonus in the calculation of final pensionable salary requires explanation under the Combined Code for Corporate Governance issued in June 1998. In this regard the inclusion of profit related bonus in the calculation of pensionable salary is a contractual arrangement of some 25 years standing, which clearly pre-dates the introduction of the Combined Code. Furthermore, it is an arrangement, which applies equally to all Group management and staff as well as to executive directors. The Committee is also mindful that apart from the arrangement restricted to the earnings cap provided to Mr D A Pretty no pension enhancements are offered to Group executive directors whereas such executive pension enhancements are commonplace elsewhere in the sector and in the majority of listed companies.

An initial review of the existing pension arrangements has been conducted by the Committee, taking into account the Inland Revenue proposal on the introduction of a lifetime allowance on pensions.

It was anticipated that the Inland Revenue proposal would take effect from 2005. However this has now been delayed until 2006, reflecting the significant impact that the proposals will have and the process which companies need to go through to assess the impact and then to make and implement decisions addressing the issue.

As a result of the delay in issuing final regulations, and the impact which they will have on Group employees beyond the executive director level, the Remuneration Committee does not intend to implement material changes to the structure of executive pensions, except in relation to Mr D A Pretty, until next year when the final regulations are issued. This is in accordance with independent advice, which the Committee has taken. The intention is to deal with the Inland Revenue proposals and the issue relating to the definition of pensionable salary together, so that changes to pension entitlement are only made once.

The Committee believes however, that the particular situation of Mr D A Pretty justifies immediate action. Mr D A Pretty's pension has been subject to the earnings cap since 1990. Although an individual contractual arrangement was entered into in 1992 under which pension accrues at the rate of 1/30th of the earnings cap, it does not address the significant differential which exists between Mr D A Pretty's pension entitlement and that of his peers elsewhere in the sector, as well as between Mr D A Pretty and other Group executive directors with similar service who are not subject to the earnings cap. Upon his appointment, as Group Chief Executive in October 2002 the Remuneration Committee agreed to review Mr D A Pretty's pension arrangements having regard to the extent of this differential.

As the earnings cap is to be replaced for future service under Inland Revenue proposals to introduce a lifetime allowance on pensions, it was anticipated that the new arrangements would have presented alternative options for dealing with the situation, but as stated above implementation of these arrangements has now been delayed. The Remuneration Committee believes it is important to address the issue in order to secure Mr D A Pretty's continued services until his retirement. There is no intention to compensate for past service, only to put Mr D A Pretty on an equitable footing with the other uncapped executive directors in respect of current and future service.

Based on calculations carried out by the actuary to the Group scheme Mr D A Pretty will receive with effect from 1st July 2003, a supplement equal to 50% of basic salary, as disclosed in the emoluments table below. This aims to replicate, for future service only as from 1st July 2003, the pension he would be entitled to on an uncapped basis, i.e. 1/60th of pensionable salary.

The pension entitlements for other executive directors will be reviewed over the next year.

Service Contracts

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

Individual Executive Directors Service Contracts:

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

Remuneration Report

Non-Executive Directors' Remuneration

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

With effect from 1st July 2004 the fee payable to Mr C G Toner as non-executive chairman was increased from £87,500 to £93,000 per annum.

With effect from 1st July 2004 the annual fee payable to non-executive directors was increased from £31,200 to £33,000, with an additional annual fee of £5,000 payable to those who also chair a Board Committee.

Mr A E Kilburn is paid an additional fee of £2,000 in respect of his role as Senior Independent Director.

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

Non-executive Directors	Effective date of current Appointment	Date of first Appointment
Mr C G Toner	18th October 2002	15th May 2002
Mr P H Ashworth	18th November 2002	1st May 1997
Mr R J Davies	5th May 2004	5th May 2004
Mr A E Kilburn	18th November 2002	1st April 1998
Mr M Pescod	1st October 2002	1st October 2001

Total Shareholder Return Performance Graph

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

Total Shareholder Return - Rebased to 100 01/07/99 - 30/06/04



Remuneration Report

Long-Term Performance Plan

As detailed in last year's Remuneration Report and in a separate circular to shareholders, a 3 year rolling Long-Term Performance Plan was approved by shareholders at last year's Annual General Meeting held in November 2003 to take effect from 1st July 2003. Awards under the new scheme are based on an annual allocation of notional ordinary shares equivalent to a maximum of 100% of basic salary with vesting taking place at the expiry of the three year performance period of the plan, subject to attainment of the agreed performance targets. 50% of the award will vest on attainment of a performance target based on Basic Earnings Per Share (EPS) growth and 50% based on Total Shareholder Return (TSR). A vesting schedule has been established so that in terms of EPS growth, the full 50% will vest if EPS growth exceeds the Retail Price Index (RPI) plus 15% and 10% will vest if EPS growth exceeds RPI plus 10%, with straight line vesting between these two points. The remaining 50% will vest subject to TSR performance measured against the constituents of the FTSE Construction and Building Materials Sector Index. Again a vesting schedule has been established so that the full 50% will vest if TSR growth is in the upper quartile of the comparative index and 10% vesting if TSR growth is at the median of the index, with straight line vesting between the two points. Before any share award vests, independent advice will be taken by the Remuneration Committee to assess whether the performance criteria have been met. Notional share awards were made under the Scheme on 27th November 2003 at a share price of 510p.

	No. of shares subject to an award
D A Pretty	78,510
H Walker	49,020
S J Boyes	43,137
C A Dearlove	44,118
C Fenton	34,314
P R Gieron	46,863
G K Hester	46,863

Executive Directors Shareholding Guidelines

The following Shareholding Guidelines apply to Executive Directors:

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

Remuneration Report

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

	2004				2003	2004
	Salary/Fee £000	Performance Related £000	Benefits £000	Total £000	Total £000	Gain on exercise of share options £000
C G Toner	88	–	–	88	68	–
D A Pretty	400	493	25	918	1,235	358
H Walker	263	385	25	673	1,019	–
P H Ashworth	31	–	–	31	29	–
S J Boyes	220	370	20	610	750	211
R J Davies	5	–	–	5	–	–
C A Dearlove	225	370	22	617	1,004	152
C Fenton	175	370	22	567	–	103
P R Gieron	239	370	11	620	1,005	–
G K Hester	239	370	18	627	919	548
A E Kilburn	36	–	–	36	29	–
M Pescod	36	–	–	36	29	–
Total	1,957	2,728	143	4,828	6,087	1,372

In addition to the salary figure detailed in the above table, a supplement of £200,200 for the year ended 30th June 2004 in respect of the pension arrangements detailed earlier in the report was paid to Mr D A Pretty in September 2004.

The fee in respect of Mr R J Davies was paid directly to Arriva plc.

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

DIRECTORS' PENSION BENEFITS

	Increase in accrued pension over the year to 30.06.04 (net of inflation) (£)	Accumulated total accrued pension at the end of the year (£)	Transfer value of the increase in the accrued pension over the year (net of inflation) (£)	Increase in accrued pension over the year to 30.06.04 (£)	Transfer value of accrued pension at 30.06.03 (£)	Transfer value of accrued pension at 30.06.04 (£)	Increase in transfer value over the year (£)
D A Pretty	3,133	44,009	26,144	4,247	507,526	592,354	75,003
H Walker	28,297	181,216	281,387	32,462	1,866,351	2,381,396	488,390
S J Boyes	32,969	117,379	142,295	35,268	458,872	708,153	225,189
C A Dearlove	21,166	149,431	142,772	24,659	1,106,550	1,404,812	272,915
C Fenton	1,579	17,145	3,301	2,003	93,120	110,326	11,311
P R Gieron	21,578	151,632	120,882	25,121	953,459	1,232,429	252,783
G K Hester	1,591	12,285	11,797	1,883	120,963	147,492	20,634

The accrued pension entitlement is the amount that the director would receive if he retired at the end of the year.

The increase in the accrued entitlement is the difference between the accrued benefit at the end of the year and that at the previous year end. The Listing Rules require this to be disclosed excluding inflation.

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

Remuneration Report

DIRECTORS' SHARE OPTIONS

	At 30.06.03	During the year		At 30.06.04	Exercise Price p	Earliest Exercise	Latest Expiry
		Granted	Exercised				
D A Pretty	140,000	–	140,000	–	275	30.09.02	29.09.09
	140,000	–	–	140,000	273	27.10.03	26.10.10
	120,000	–	–	120,000	330	01.11.04	31.10.11
	180,000	–	–	180,000	435	22.10.05	21.10.12
	–	180,000	–	180,000	545	10.10.06	09.10.13
H Walker	140,000	–	–	140,000	275	30.09.02	29.09.09
	140,000	–	–	140,000	273	27.10.03	26.10.10
	120,000	–	–	120,000	330	01.11.04	31.10.11
	120,000	–	–	120,000	435	22.10.05	21.10.12
	–	114,679	–	114,679	545	10.10.06	09.10.13
S J Boyes	20,000	–	20,000	–	222	11.12.00	10.12.07
	30,000	–	30,000	–	205	15.10.01	14.10.08
	30,000	–	30,000	–	275	30.09.02	29.09.09
	30,000	–	–	30,000	273	27.10.03	26.10.10
	120,000	–	–	120,000	330	01.11.04	31.10.11
	120,000	–	–	120,000	435	22.10.05	21.10.12
	–	100,917	–	100,917	545	10.10.06	09.10.13
C A Dearlove	*65,000	–	43,936	21,064	271	26.04.99	25.04.06
	120,000	–	–	120,000	222	11.12.00	10.12.07
	70,000	–	–	70,000	205	15.10.01	14.10.08
	140,000	–	–	140,000	275	30.09.02	29.09.09
	140,000	–	–	140,000	273	27.10.03	26.10.10
	120,000	–	–	120,000	330	01.11.04	31.10.11
	120,000	–	–	120,000	435	22.10.05	21.10.12
	–	103,211	–	103,211	545	10.10.06	09.10.13
C Fenton	15,000	–	15,000	–	275	30.09.02	29.09.09
	15,000	–	15,000	–	273	27.10.03	26.10.10
	12,000	–	–	12,000	330	01.11.04	31.10.11
	20,000	–	–	20,000	435	22.10.05	21.10.12
	–	80,275	–	80,275	545	10.10.06	09.10.13
P R Gieron	140,000	–	–	140,000	275	30.09.02	29.09.09
	140,000	–	–	140,000	273	27.10.03	26.10.10
	120,000	–	–	120,000	330	01.11.04	31.10.11
	120,000	–	–	120,000	435	22.10.05	21.10.12
	–	109,633	–	109,633	545	10.10.06	09.10.13
G K Hester	30,000	–	30,000	–	275	30.09.02	29.09.09
	140,000	–	140,000	–	273	27.10.03	26.10.10
	120,000	–	–	120,000	330	01.11.04	31.10.11
	120,000	–	–	120,000	435	22.10.05	21.10.12
	–	109,633	–	109,633	545	10.10.06	09.10.13

* Granted under the 1986 Executive Share Option Scheme

The mid-market share price of the company was 431.25p on 1st July 2003 and 589.50p as at 30th June 2004. The mid-market high and low share prices of the company during the year were 643.00p and 431.25p respectively. No options of directors in office at 30th June 2004 lapsed unexercised during the year.

There were no changes in the interests of the directors shown above between 1st July 2004 and the 22nd September 2004.

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

7th October 2004

Group Profit and Loss Account for the year ended 30th June 2004

	Note	2004 £m	2003 £m
TURNOVER			
- CONTINUING OPERATIONS		2,343.1	2,044.7
- DISCONTINUED OPERATIONS		172.9	126.3
GROUP TURNOVER		2,516.0	2,171.0
OPERATING PROFIT			
- CONTINUING OPERATIONS		364.2	288.0
- DISCONTINUED OPERATIONS		11.4	10.7
OPERATING PROFIT	1	375.6	298.7
NET INTEREST PAYABLE	4	(7.9)	(10.0)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	367.7	288.7
TAXATION	5	(107.2)	(82.3)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	6	260.5	206.4
DIVIDENDS	7	(51.4)	(40.2)
RETAINED PROFIT	19	209.1	166.2
EARNINGS PER SHARE - BASIC	9	111.4p	89.1p
EARNINGS PER SHARE - DILUTED	9	110.1p	88.2p

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

Statement of Total Group Recognised Gains and Losses for the year ended 30th June 2004

	2004 £m	2003 £m
Profit on ordinary activities after taxation	260.5	206.4
Exchange adjustments	(3.9)	(3.0)
Total gains and losses recognised since last annual report	256.6	203.4

Group Balance Sheet at 30th June 2004

	Note	2004 £m	2003 Restated £m
FIXED ASSETS			
Tangible assets	10	11.9	11.0
CURRENT ASSETS			
Properties held for sale		9.7	7.7
Stocks	12	1,977.0	1,730.7
Debtors due within one year	13	41.6	37.0
Debtors due after more than one year	13	1.3	0.5
Bank and cash		230.4	121.4
		2,260.0	1,897.3
CURRENT LIABILITIES			
Creditors due within one year	14	(1,066.0)	(922.4)
NET CURRENT ASSETS		1,194.0	974.9
TOTAL ASSETS LESS CURRENT LIABILITIES		1,205.9	985.9
CREDITORS DUE AFTER MORE THAN ONE YEAR	15	(89.8)	(77.0)
NET ASSETS		1,116.1	908.9
CAPITAL AND RESERVES			
Called up share capital	18	24.0	23.9
Share premium	19	190.7	187.1
Profit and loss account	19	901.4	697.9
EQUITY SHAREHOLDERS' FUNDS	20	1,116.1	908.9

Approved by the Board on 7th October 2004

C G Toner } Directors
C A Dearlove

Group Cash Flow Statement for the year ended 30th June 2004

	Note	2004 £m	2003 £m
CASH INFLOW FROM OPERATING ACTIVITIES	21	262.7	112.6
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		2.0	0.8
Interest paid		(13.5)	(11.1)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(11.5)	(10.3)
TAXATION		(98.7)	(77.7)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(3.7)	(9.4)
(Purchase)/disposal of investments : interest in own shares		(1.7)	1.9
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(5.4)	(7.5)
EQUITY DIVIDENDS PAID		(45.0)	(34.3)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		102.1	(17.2)
FINANCING			
Issue of ordinary share capital		3.7	2.1
(Decrease)/increase in debt due after more than one year	22	(19.1)	10.3
NET CASH (OUTFLOW)/INFLOW FROM FINANCING		(15.4)	12.4
INCREASE/(DECREASE) IN CASH IN THE YEAR	22	86.7	(4.8)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £m	2003 £m
Increase/(decrease) in cash in the year	86.7	(4.8)
Cash flow from decrease/(increase) in debt	19.1	(10.3)
Change in net funds resulting from cash flows	105.8	(15.1)
Exchange movements	2.3	2.1
Movement in net funds in the year	108.1	(13.0)
Net funds at beginning of year	81.6	94.6
Net funds at end of year	22 189.7	81.6

Accounting Policies

The accounts have been prepared in accordance with the Companies Act 1985 and with applicable Accounting Standards in the United Kingdom. The principal accounting policies, which have been applied are:

- (a) **Basis of accounting**

The Group prepares its accounts on a historical cost basis. The Group has adopted Urgent Issues Task Force Abstract 38: "Accounting for ESOP trusts" for the 2004 results. As a result of the implementation of the requirements of this Abstract, shares in the company held through an employee share scheme trust which were previously reported as investments are now recorded as a deduction from equity shareholders' funds. At 30th June 2004, the carrying value of these shares was £17.5m which has been set against the profit and loss account in the balance sheet. The comparative figures for investments and profit and loss account have been amended to reflect the change in treatment. The comparative figures have been restated in a prior year adjustment to reflect this changed treatment such that shareholders' funds at 30th June 2003 have been reduced by £15.8m.
- (b) **Consolidation**

The Group accounts include the results of the holding company and all its subsidiary undertakings made up to 30th June 2004. The financial statements of subsidiary undertakings are consolidated from the date when control passed to the Group using the acquisition method of accounting. All transactions with subsidiaries and inter-company profits or losses are eliminated on consolidation. Prior to the introduction of Financial Reporting Standard Number 10, "Goodwill and intangible assets", goodwill arising on consolidation as a result of the acquisition of subsidiary undertakings was written off against reserves in the year of acquisition. This goodwill has not been reinstated in the balance sheet. Any goodwill written off against reserves will be charged to the profit and loss account in the event of the disposal of the related business.
- (c) **Turnover**

Turnover comprises the total proceeds of building and development on legal completion and the value of work executed on long-term contracts during the year excluding inter-company transactions and value added tax. The sale proceeds of part exchange houses are not included in turnover.
- (d) **Investments**

Investments are valued at cost less provision for any impairment in value.
- (e) **Properties held for sale**

Properties held for sale, comprising properties previously held for investment, are stated at the lower of cost and net realisable value.
- (f) **Stocks**

Stocks and work in progress, excluding long term contracting work in progress, are valued at the lower of cost and net realisable value.
Profit on contracting is taken on short term contracts when completed, and for long term contracts attributable profit is taken when the final outcome can be foreseen with reasonable certainty; provision is made for any anticipated losses. Amounts by which turnover in respect of long term contracts exceed payments on account are held in debtors as amounts recoverable on contracts. Amounts received in respect of long term contracts, in excess of amounts reflected in turnover, are held in creditors as payments on account.
- (g) **Depreciation**

Freehold properties are depreciated on a straight line basis over twenty five years. Plant is depreciated on a straight line basis over its expected useful life which ranges from one to seven years.
- (h) **Leased assets**

Operating lease rentals are charged to the profit and loss account in equal instalments over the life of the lease.
- (i) **Exchange translations**

Foreign currency assets and liabilities are translated into sterling at rates of exchange ruling at the year end. Trading results are translated at the average rate prevailing during the relevant period. Differences arising on the re-translation of the net investment and the results for the year are taken directly to reserves together with the differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign subsidiary undertakings. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.
- (j) **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.
A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- (k) **Pensions**

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The effects of variations from regular cost arising from actuarial valuations of the pension scheme are spread over the expected average remaining service lives of the members of the scheme. The difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

Notes to the Accounts

1. OPERATING PROFIT

	2004			2003		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Group turnover	2,343.1	172.9	2,516.0	2,044.7	126.3	2,171.0
Cost of sales	(1,909.3)	(149.6)	(2,058.9)	(1,702.9)	(112.0)	(1,814.9)
Gross profit	433.8	23.3	457.1	341.8	14.3	356.1
Administrative expenses	(69.6)	(4.4)	(74.0)	(53.8)	(3.6)	(57.4)
Impairment provision	–	(7.5)	(7.5)	–	–	–
	364.2	11.4	375.6	288.0	10.7	298.7

The discontinued operations relate to the US housebuilding operation, the disposal of which completed on 30th August 2004. An impairment provision of £7.5m was made in the accounts for the year ended 30th June 2004. This provision covers the loss on sale and associated costs.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £m	2003 £m
After charging:		
Depreciation – tangible owned fixed assets	1.2	0.8
Operating lease charges – hire of plant, machinery and vehicles	16.4	16.5
– other	3.1	2.6
Auditors' remuneration – audit services	0.2	0.2
(company: £19,500 – (2003 £3,500))		

Auditors' remuneration for non-audit services in the year amounted to £198,081 (company £193,620), (2003 £117,300 (company: £69,925)). The Audit Committee has an established policy for the provision of non-audit services by the auditors.

The profit on ordinary activities before taxation is stated after charging the directors' emoluments disclosed in the Remuneration Report on page 36.

3. ANALYSIS BY GEOGRAPHICAL AREA

	United Kingdom		USA		Total	
	2004 £m	2003 £m	2004 £m	2003 £m	2004 £m	2003 £m
Group turnover by origin	2,343.1	2,044.7	172.9	126.3	2,516.0	2,171.0
Operating profit	364.2	288.0	11.4	10.7	375.6	298.7
Net assets	1,065.8	871.5	50.3	37.4	1,116.1	908.9

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

4. NET INTEREST PAYABLE

	2004 £m	2003 £m
Payable: On bank loans, bills and overdrafts	9.3	10.6
Less: Receivable	(1.4)	(0.6)
	7.9	10.0

Notes to the Accounts

5. TAXATION

	2004 £m	2003 £m
ANALYSIS OF CHARGE IN YEAR		
Current tax:		
UK corporation tax on profits of the period	106.2	85.4
Adjustment in respect of previous periods	(1.8)	2.2
Overseas tax	2.1	–
	106.5	87.6
Deferred tax:		
Origination and reversal of timing differences	0.7	(5.3)
	107.2	82.3

FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

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

The differences are explained below:

	2004 £m	2003 £m
Profit on ordinary activities before taxation	367.7	288.7
Profit on ordinary activities before tax at a rate of 30%	110.3	86.6
Expenses not deductible for tax purposes	3.0	0.4
Additional tax relief for land remediation costs	(1.3)	(0.3)
Benefit of tax losses	(5.9)	(1.8)
Other timing differences	(0.8)	0.5
Adjustments to tax charge in respect of previous periods	(1.8)	2.2
Higher rate of overseas tax	3.0	–
Current tax charge for the year	106.5	87.6

6. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

Of the profit attributable to shareholders, £83.7m (2003 £84.9m) is dealt with in the accounts of the company. In accordance with the provisions of Section 230 of the Companies Act 1985 a separate profit and loss account for the company is not presented.

7. DIVIDENDS

	2004 £m	2003 £m
Interim 6.90p per share paid (2003 4.94p)	16.1	11.4
Final 14.68p per share (2003 12.32p)	35.3	28.8
	51.4	40.2

8. EMPLOYEES

	2004 £m	2003 £m
The average number of persons employed by the Group in building and development, excluding sub-contractors, was 4,578 (2003 4,202).		
Employee costs (including directors) comprise:		
Wages and salaries	139.8	114.1
Social security	13.8	10.5
Pension costs	8.6	8.0
	162.2	132.6

Notes to the Accounts

8. EMPLOYEES continued

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

The pension cost has been assessed in accordance with the advice of a qualified actuary using the projected unit method in a review of the scheme as at 1st December 2001. The actuarial assumptions are that the investment return will be 1.9% per annum above annual salary growth. The market value of the assets of the scheme on 1st December 2001 was £75.9m. Their actuarial value, using the new assumptions, represented 72% of the value of benefits for service to the date of the review allowing for future salary increases.

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

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

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

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

The total UK employer contribution in respect of both Schemes for the year ended 30th June 2004 amounted to £9.2m (2003 £5.3m), while the amount charged to the profit and loss account was £8.6m (2003 £8.0m). This reduced the balance sheet accrual of £6.0m at the year ended 30th June 2003 to £5.4m at 30th June 2004.

9. EARNINGS PER SHARE

Basic earnings per ordinary share is based on the profit after taxation of £260,500,000 (2003 £206,400,000) and the weighted average number of ordinary shares in issue and ranking for dividend during the year (excluding those held by the Barratt Developments Employee Benefit Trust) of 233,904,273 (2003 231,641,125). For diluted earnings per share, the weighted average number of shares in issue and ranking for dividend is adjusted to assume the conversion of all dilutive potential shares. The effect of the dilutive potential shares is 2,597,644 (2003 2,253,881), this gives a diluted weighted average number of shares of 236,501,917 (2003 233,895,006).

10. TANGIBLE FIXED ASSETS

	Freehold property £m	Group Plant £m	Total £m
Cost			
At 1st July 2003	7.1	8.1	15.2
Additions	0.5	3.2	3.7
Disposals	(1.6)	(0.5)	(2.1)
At 30th June 2004	6.0	10.8	16.8
Accumulated depreciation			
At 1st July 2003	0.1	4.1	4.2
Charge for the year	–	1.2	1.2
Disposals	(0.1)	(0.4)	(0.5)
At 30th June 2004	–	4.9	4.9
Net book value at 30th June 2004	6.0	5.9	11.9
Net book value at 30th June 2003	7.0	4.0	11.0

Notes to the Accounts

11. FIXED ASSET INVESTMENTS

Investment in subsidiary undertakings

The company has shareholdings at a cost of £60.7m (2003 £60.7m).

The principal subsidiary undertakings are:

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

A full list of subsidiary undertakings is available on request from the company's registered office.

12. STOCKS

Group	2004 £m	2003 £m
Work in progress	1,874.4	1,635.3
Showhouse complexes and houses awaiting legal completion	102.6	95.4
	1,977.0	1,730.7

13. DEBTORS

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Due within one year				
Secured loans	0.2	0.1	–	–
Trade debtors	4.7	7.3	–	0.2
Amounts recoverable on contracts	4.4	4.0	–	–
Other debtors	19.1	13.5	–	1.3
Prepayments	5.6	3.8	0.3	0.1
Deferred taxation	7.6	8.3	2.1	2.7
	41.6	37.0	2.4	4.3
Due after more than one year				
Secured loans	0.5	0.3	–	–
Other debtors	0.8	0.2	–	–
	1.3	0.5	–	–
	42.9	37.5	2.4	4.3

The analysis of deferred tax is disclosed in note 17.

Notes to the Accounts

14. CREDITORS DUE WITHIN ONE YEAR

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Bank loans and overdrafts	28.3	5.3	4.3	–
Trade creditors (including deferred land payments)	580.9	604.1	0.4	0.8
Payments on account	32.7	19.6	–	–
Corporation tax	58.2	50.4	2.1	5.3
Other taxation and social security	5.1	7.1	–	1.0
Other creditors	35.8	29.1	1.9	0.9
Accruals and deferred income	289.7	178.0	25.6	12.6
Dividend	35.3	28.8	35.3	28.8
	1,066.0	922.4	69.6	49.4

15. CREDITORS DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Bank loans and overdrafts	12.4	34.5	–	–
Trade creditors (including deferred land payments)	77.4	42.5	–	–
	89.8	77.0	–	–

Total creditors include £58.3m (2003 £59.5m), secured by legal charges on certain assets of the Group.

16. FINANCIAL INSTRUMENTS

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

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

All short-term debtors and creditors have been, as permitted, excluded from the disclosure requirements of Financial Reporting Standard Number 13. The secured loans and other debtors of £1.3m (2003 £0.5m) due after more than one year are payable between two and five years and are non-interest bearing. The bank loans and overdrafts due after more than one year are repayable between two and five years.

The interest rate profile of the financial liabilities is: £25.9m (2003 £13.6m) sterling, floating rate linked to the UK bank base rate; £14.8m (2003 £26.2m) US dollars, floating rate linked to either the US prime rate or Libor, decided by the Group prior to any drawdown of the facilities; £77.4m (2003 £42.5m) sterling, non-interest bearing, the weighted average period to maturity being 2.5 years.

Sterling cash deposits of £216m (2003 £75.1m) comprise deposits placed on money markets at call at floating rates of interest.

The undrawn committed borrowing facilities are: £55.9m (2003 £118.8m) expiring in one year or less, £468.2m (2003 £57.9m) expiring in more than one year but not more than two years, £4.0m (2003 £368.5m) expiring in more than two years.

There is no material difference between book value and the fair value of the Group's financial assets and financial liabilities as at 30th June 2004.

17. DEFERRED TAXATION

DEFERRED TAX ASSETS	Group	
	2004 £m	2003 £m
Deferred tax assets comprise:		
Accelerated capital allowances	0.2	0.2
Short term timing differences	4.6	4.5
Losses	2.8	3.6
Deferred tax asset	7.6	8.3
Balance at 1st July 2003	8.3	
Amount charged to profit and loss account	(0.7)	
Balance at 30th June 2004	7.6	

Notes to the Accounts

18. CALLED UP SHARE CAPITAL

	2004 £m	2003 £m
Authorised 300,000,000 ordinary shares of 10p each	30.0	30.0
Allotted and issued ordinary shares of 10p each		
Fully paid – 239,797,852 ordinary shares (2003 238,431,250)	24.0	23.9

The issued share capital of the company was increased during the year to 239,797,852 ordinary shares of 10p each by the issue of 1,366,602 ordinary shares of 10p each for a cash consideration of £3,708,706 in satisfaction of options duly exercised in accordance with the rules of the share option scheme and the share option plans.

As at 30th June 2004 the following options issued in accordance with the rules of the executive share option scheme, executive share option plan and the employee share option plan were outstanding:

Date of grant	Option price	Directors	Senior executives	Other employees	Not exercisable after
a) Executive share option scheme					
27.09.94	171p	–	73,866	–	26.09.04
26.04.96	271p	21,064	–	–	25.04.06
b) Executive share option plan					
11.12.97	222p	120,000	245,000	–	10.12.07
15.10.98	205p	70,000	183,000	–	14.10.08
30.09.99	275p	420,000	199,000	–	29.09.09
27.10.00	273p	590,000	308,334	–	26.10.10
01.11.01	330p	732,000	718,000	–	31.10.11
22.10.02	435p	800,000	1,193,500	–	21.10.12
10.10.03	545p	798,348	1,480,000	–	09.10.13
c) Employee share option plan					
10.04.00	240p	–	–	94,000	09.04.10
29.03.01	315p	–	–	252,500	28.03.11
25.04.02	470p	–	–	1,049,000	24.04.12
14.05.04	590p	–	–	1,804,000	13.05.14

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

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

19. RESERVES

	Share premium £m	Profit and loss account £m	Total £m
Group			
At 1st July 2003 (as restated)	187.1	697.9	885.0
Premium on issue of ordinary equity shares under share options	3.6	–	3.6
Profit and loss account	–	209.1	209.1
Exchange adjustments	–	(3.9)	(3.9)
Purchase of own shares	–	(1.7)	(1.7)
At 30th June 2004	190.7	901.4	1,092.1
Company			
At 1st July 2003 (as restated)	187.1	193.3	380.4
Premium on issue of ordinary equity shares under share options	3.6	–	3.6
Profit and loss account	–	32.3	32.3
Purchase of own shares	–	(1.7)	(1.7)
At 30th June 2004	190.7	223.9	414.6

Notes to the Accounts

20. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2004 £m	2003 Restated £m
Opening equity shareholders' funds as previously stated	924.7	759.5
Prior year adjustment to reflect own shares netted against equity	(15.8)	(17.7)
Opening equity shareholders' funds as restated	908.9	741.8
Profit on ordinary activities after taxation	260.5	206.4
Dividends	(51.4)	(40.2)
	209.1	166.2
Exchange adjustments	(3.9)	(3.0)
New share capital subscribed (including premium)	3.7	2.0
Movement in own shares	(1.7)	1.9
Net addition to equity shareholders' funds	207.2	167.1
Closing equity shareholders' funds	1,116.1	908.9

21. CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £m	2003 £m
Operating profit	375.6	298.7
Depreciation charges	1.2	0.8
Loss on sale of fixed assets	1.6	–
Increase in properties held for sale	(2.0)	(1.6)
Increase in stocks	(254.4)	(286.3)
Increase in debtors	(6.8)	(5.6)
Increase in creditors	147.5	106.6
	262.7	112.6

22. ANALYSIS OF NET FUNDS/(DEBT)

	2004 £m	Cash flow £m	Exchange movement £m	2003 £m	Cash flow £m	Exchange movement £m	2002 £m
Cash at bank and in hand	230.4	110.1	(1.1)	121.4	(10.0)	(0.4)	131.8
Overdrafts	(28.3)	(23.4)	0.4	(5.3)	5.2	0.4	(10.9)
	202.1	86.7	(0.7)	116.1	(4.8)	–	120.9
Debt due after more than one year	(12.4)	19.1	3.0	(34.5)	(10.3)	2.1	(26.3)
Total	189.7	105.8	2.3	81.6	(15.1)	2.1	94.6

23. OPERATING LEASE OBLIGATIONS

	Group			
	2004		2003	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Annual commitments under non-cancellable operating leases which expire:				
Within one year	0.6	1.7	0.3	2.0
Between two and five years	1.0	3.7	1.2	3.8
In five years or more	0.9	–	0.8	–
	2.5	5.4	2.3	5.8

Notes to the Accounts

24. CONTINGENT LIABILITIES

The company has guaranteed certain bank borrowings of its subsidiary undertakings, amounting to £22.7m at the year end (2003 £30.4m).

25. RELATED PARTY TRANSACTIONS

A number of partners of the firm of solicitors Field Cunningham & Co, one of whom is Mr P H Ashworth, perform development related legal work for three of the thirty two operating divisions of the Group. The firm also performs some general legal work for divisions and deals with certain specific Group legal matters. All transactions with the firm have been on normal commercial terms. The amount invoiced during the year ended 30th June 2004 was £802,410 (2003 £591,180) of which £20,795 (2003 £85,415) was outstanding at the year end.

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

26. RETIREMENT BENEFITS

The Group accounts for pension costs under SSAP24 (Accounting for Pension Costs), but the disclosures required under the transitional arrangements for Financial Reporting Standard Number 17, Retirement Benefits, are detailed below.

a) DEFINED CONTRIBUTION SCHEME

The Group operates a defined contribution scheme for new employees. The service cost of this scheme for the period was £0.9m (2003 £0.4m). At the balance sheet date there were outstanding contributions of £0.1m (2003 £0.1m) which were paid on or before the due date.

b) DEFINED BENEFIT SCHEME

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

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

	30th June 2004 Projected unit	30th June 2003 Projected unit	30th June 2002 Projected unit
Valuation method			
Inflation rate	3.00%	2.60%	2.70%
Salary increase	5.00%	4.60%	4.70%
Rate of increase: for pensions in payment	3.00%	2.60%	2.70%
for deferred pensions	3.00%	2.60%	2.70%
Discount rate	5.70%	5.25%	5.80%

	Long term rate of return at 30th June 2004	Value at 30th June 2004 £m	Long term rate of return at 30th June 2003	Value at 30th June 2003 £m	Long term rate of return at 30th June 2002	Value at 30th June 2002 £m
SCHEME ASSETS						
Equities	7.50%	55.2	7.00%	59.0	7.70%	60.2
Bonds	5.70%	36.7	5.25%	9.3	5.80%	11.1
Other	4.00%	0.2	4.50%	5.1	5.00%	2.2
Market value of assets		92.1		73.4		73.5
Present value of liabilities		(145.9)		(139.0)		(112.4)
Deficit		(53.8)		(65.6)		(38.9)
Deferred tax asset		16.1		19.7		11.7
Net pension deficit		(37.7)		(45.9)		(27.2)

	2004 Group £m	2003 Group Restated £m
GROUP NET ASSETS		
Net assets excluding net pension deficit	1,116.1	908.9
SSAP24 adjustment	5.4	6.0
Deferred tax	(1.6)	(1.8)
Net pension deficit	(37.7)	(45.9)
Net assets including net pension deficit	1,082.2	867.2

	2004 Group £m	2003 Group Restated £m
GROUP PROFIT AND LOSS ACCOUNT		
Net profit and loss account excluding net pension deficit	901.4	697.9
SSAP24 adjustment	5.4	6.0
Deferred tax	(1.6)	(1.8)
Net pension deficit	(37.7)	(45.9)
Profit and loss account including net pension deficit	867.5	656.2

Notes to the Accounts

26. RETIREMENT BENEFITS (continued)

AMOUNT CHARGEABLE TO OPERATING PROFIT IN RESPECT OF DEFINED BENEFIT SCHEME

	Year to 30th June 2004 £m	Year to 30th June 2003 £m
Current service cost	5.4	4.4
Past service cost	–	–
	5.4	4.4

	Year to 30th June 2004 £m	Year to 30th June 2003 £m
NET RETURN ON PENSION SCHEME		
Expected return on pension scheme assets	5.1	5.6
Interest on pension liabilities	(7.4)	(6.6)
Net return	(2.3)	(1.0)

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

	Year to 30th June 2004 £m	Year to 30th June 2003 £m
Actual return less expected return on assets	5.4	(10.9)
Experience gains and losses on liabilities	–	0.3
Changes in assumptions	5.8	(15.9)
Actuarial gain/(loss) recognised in STRGL	11.2	(26.5)
Adjustment due to surplus cap	–	–
Net gain/(loss) recognised	11.2	(26.5)

	Year to 30th June 2004 £m	Year to 30th June 2003 £m
MOVEMENT IN DEFICIT DURING THE YEAR		
Deficit in scheme at beginning of year	(65.6)	(38.9)
Movement in year:		
Current service cost	(5.4)	(4.4)
Contributions	8.3	5.2
Past service costs	–	–
Net return on assets	(2.3)	(1.0)
Actuarial gain/(loss)	11.2	(26.5)
Deficit in scheme at end of year	(53.8)	(65.6)

	Year to 30th June 2004 £m	Year to 30th June 2003 £m
HISTORY OF EXPERIENCE GAINS AND LOSSES		
Difference between expected and actual return on scheme assets:		
amount (£m)	5.4	(10.9)
percentage of scheme assets	6%	15%
Experience gains and losses on scheme liabilities:		
amount (£m)	–	(0.3)
percentage of scheme liabilities	–	1%
Total amount recognised in statement of total recognised gains and losses:		
amount (£m)	11.2	(26.5)
percentage of scheme liabilities	8%	19%

27. POST BALANCE SHEET EVENT

On 30th August 2004, the Group completed the sale of its' US housebuilding operation for a consideration of \$165m, of which \$162m was received in cash with the balance being deferred over a period of two years. An impairment provision of £7.5m was made in the accounts for the year to 30th June 2004 to cover the loss arising on the disposal.

Company Balance Sheet at 30th June 2004

	Note	2004 £m	2003 Restated £m
FIXED ASSETS			
Investment in subsidiary undertakings	11	60.7	60.7
CURRENT ASSETS			
Debtors due from subsidiary undertakings within one year		246.5	294.4
Debtors due from subsidiary undertakings after more than one year		61.6	61.6
Other debtors due within one year	13	2.4	4.3
Bank and cash		218.1	78.6
		528.6	438.9
CURRENT LIABILITIES			
Creditors due to subsidiary undertakings within one year		(81.1)	(45.9)
Other creditors due within one year	14	(69.6)	(49.4)
NET CURRENT ASSETS		377.9	343.6
NET ASSETS		438.6	404.3
CAPITAL AND RESERVES			
Called up share capital	18	24.0	23.9
Share premium	19	190.7	187.1
Profit and loss account	19	223.9	193.3
EQUITY SHAREHOLDERS' FUNDS		438.6	404.3

Approved by the Board on 7th October 2004

C G Toner } Directors
C A Dearlove

Five Year Record and Financial Calendar

FIVE YEAR RECORD

Year	2004	2003 Restated	2002 Restated	2001 Restated	2000 Restated
Group turnover £m	2,516.0	2,171.0	1,799.4	1,509.1	1,250.0
Profit before tax £m	367.7	288.7	220.0	178.4	143.9
Share capital and reserves £m	1,116.1	908.9	741.8	619.4	518.0
Per ordinary share:					
Earnings (basic) pence	111.4	89.1	68.6	55.1	43.3
Dividend pence	21.58	17.26	14.38	13.07	11.88
Net assets pence	465	381	312	264	222
Dividend cover	5.2	5.2	4.8	4.2	3.6

FINANCIAL CALENDAR

Announcement of results:		Dividends:	
Half year	24th March 2004	Interim paid	21st May 2004
Full year	22nd September 2004	Final proposed	19th November 2004
Annual Report posted to shareholders	13th October 2004		
Annual General Meeting	11th November 2004		

Independent Auditors' Report

Independent auditors' report to the members of Barratt Developments PLC

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

Respective responsibilities of directors and auditors

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

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

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

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

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code issued in June 1998 specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion of the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the Group at 30th June 2004 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

Group Structure and Directory

Group Office

Barratt Developments PLC, Wingrove House, Ponteland Road, Newcastle upon Tyne, NE5 3DP.
Tel: 0191 286 6811 Fax: 0191 271 2242

Principal Subsidiary Undertakings

UK Housebuild

Barratt Homes Ltd.,
Wingrove House,
Ponteland Road,
Newcastle upon Tyne,
NE5 3DP.
Tel: 0191 286 6811
Fax: 0191 271 2242

Barratt Construction Ltd.,
Golf Road,
Ellon,
Aberdeenshire,
AB41 9AT.
Tel: 01358 720765
Fax: 01358 724043

KingsOak Homes Ltd.,
Wingrove House,
Ponteland Road,
Newcastle upon Tyne,
NE5 3DP.
Tel: 0191 286 6811
Fax: 0191 271 2242

Commercial Property

Barratt Commercial Ltd.,
Wingrove House,
Ponteland Road,
Newcastle upon Tyne,
NE5 3DP.
Tel: 0191 286 6811
Fax: 0191 271 2242

Barratt Homes Ltd

Northern Region

Barratt Northern,
Barratt House,
Airport Industrial Estate,
Kenton, Newcastle upon Tyne,
NE3 2EQ.
Tel: 0191 286 9866
Fax: 0191 286 8088

Barratt East Scotland,
Craigcrook Castle,
Craigcrook Road,
Edinburgh,
EH4 3PE.
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Fax: 0131 336 2392

Barratt Leeds,
Premier House,
14 Royds Hall Road,
Pavilion Business Park,
Leeds,
LS12 6AJ.
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Fax: 0113 279 0038

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Airport Industrial Estate,
Kenton,
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7 Maggie Wood's Loan,
Falkirk, FK1 5SJ.
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Fax: 01324 625916

Barratt York,
Richmond House,
Millfield Lane,
Poppleton,
York, YO26 6PH.
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Fax: 01904 781665

Central Region

Barratt Central,
Worrall House,
683 Chester Road,
Manchester, M16 0QS.
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Fax: 0161 877 6070

Barratt Chester,
Oak House, Lloyd Drive,
Ellesmere Port,
South Wirral,
Cheshire, CH65 9HQ.
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Barratt East Midlands,
Broadgate House,
Humber Road, Beeston,
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Barratt Manchester,
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Barratt Northampton,
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Northampton Business Park,
Northampton, NN4 7RG.
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Barratt Sheffield,
Barratt House,
Newton Chambers Road,
Thorncliffe Park,
Chapelton,
Sheffield, S35 2PH.
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Barratt West Midlands,
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West Region

Barratt West,
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Fax: 01454 617038

Barratt Bristol,
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Fax: 01454 612277

Barratt Exeter,
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Barratt Maidenhead,
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Maidenhead, Berkshire,
SL6 4UB.
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Fax: 01628 636415

Barratt Mercia,
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Barratt South Wales,
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Barratt Southampton,
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Southern Region

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Great West Road,
Brentford,
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Barratt East London,
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32-66 High Street,
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Barratt Eastern Counties,
6-8 Richmond Road,
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Barratt North London,
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Barratt South London,
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Wallington,
Surrey, SM6 0DN.
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Barratt Southern Counties,
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Guildford,
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KINGSOAK Homes Ltd

Central Region

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KingsOak Milton Keynes,
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