

Barratt
Report & Accounts
2006



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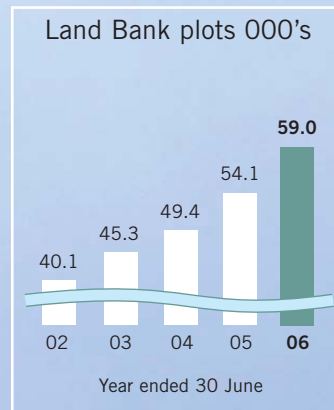
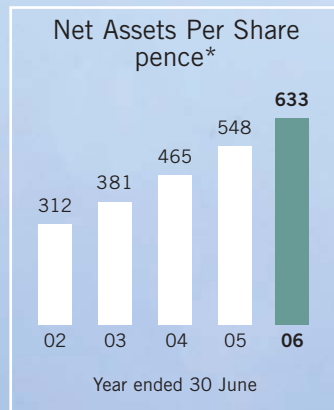
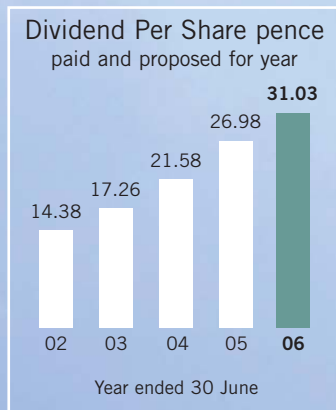
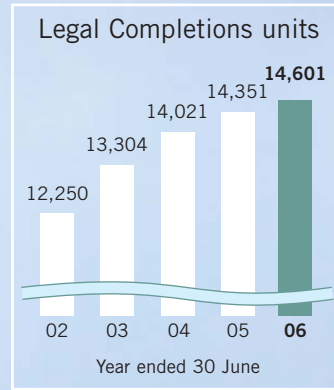
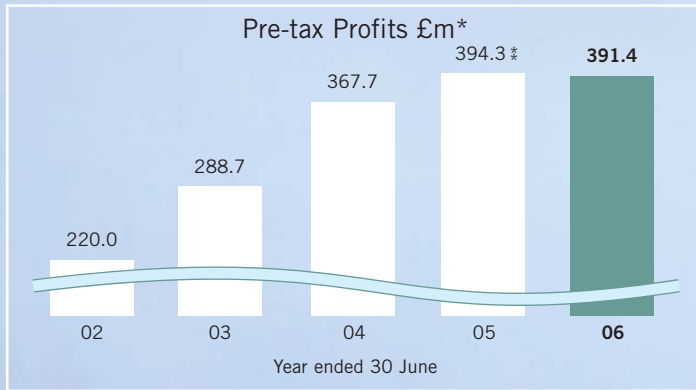
Barratt Developments PLC Annual Report and Accounts for the year ended 30 June 2006. Registered in England No. 604574.

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Cover, above and right: Visage, Swiss Cottage, London NW3. This ground-breaking public/private partnership scheme features a spectacular 16-storey glass apartment building, including both luxury apartments and family apartments for local tenants. In addition to 166 new homes, a new 76,000 sq ft sports and leisure centre has been provided for the local community, as well as a new community centre and a doctors' surgery.

financial highlights



* 2005 - 2006 Stated under IFRS GAAP
2002 - 2004 Stated under UK GAAP

‡ Profit before tax in 2005 included a £15.9m one-off profit from the disposal of freehold ground rents



“...the Group achieved further increases in completions, improved margins and underlying pre-tax profits, our 14th consecutive year of growth”



Hampton Court Mews, East Molesey, Greater London. A select development of 12 new and refurbished apartments, with underground parking and landscaped courtyard gardens, in this sought-after riverside village on the outskirts of London.

chairman's statement



Charles Toner, Group Chairman,
Barratt Developments PLC.

I am again pleased to report that, despite a competitive market place, the Group achieved further increases in completions, improved margins and produced pre-tax profits of £391.4m. This was our 14th consecutive year of organic growth.

The main features of the results for the year ended 30th June 2006, with comparison to the same period last year and prepared in accordance with International Financial Reporting Standards (IFRS), are as follows:-

- Underlying pre-tax profit, excluding a £15.9m one-off profit from the disposal of freehold ground rents in 2005, increased by 3.4% from £378.4m to £391.4m. Profit before tax was £391.4m compared to £394.3m in 2005.
- Adjusted basic earnings per share, (excluding £11.1m profit after tax from the freehold ground rent disposal in 2005) increased from 115.2p to 115.3p. Basic earnings per share amounted to 115.3p against 119.9p.
- A final dividend of 20.69 pence per share will be recommended, payable on 29 November 2006 to shareholders on the register on 3 November 2006, against 17.99 pence the previous year. This gives a total dividend for the year of 31.03 pence, an increase of 15%, 3.7 times covered. This increase reflects our progress and the Board's confidence in the future performance of the Group.
- Net cash at the year end was £34.9m (2005: £276.9m) with average gearing over the year of 11%. This was achieved notwithstanding a £253.3m increase in investment in land and work in progress.
- Return on average capital employed continued to be amongst the highest in the industry at 27% (2005: 31%).

These encouraging results once again demonstrate the continued success of our growth strategy and the fundamental strengths of the Group.

The medium and long term fundamentals of the housing market remain sound, reinforced by a continuing serious shortage of new homes resulting from the very slow planning system. We remain confident that we can continue to grow the business and create value for our shareholders.

Once again, our experienced management team across the Group has shown its ability to succeed in a competitive market place. I would like to thank all of our people throughout the Group for all their hard work. Our continued success is a result of their teamwork, skills and commitment.

There have been a number of Board changes this year. Group Finance Director, Colin Dearlove and Deputy Chief Executive, Harold Walker both retired on 30 June 2006 after many exemplary years of service with the Group.

Mark Pain was appointed an Executive Director on 1 March 2006 and assumed executive responsibility as Group Finance Director on 1 July 2006. In addition, on 1 May 2006 we appointed Rod MacEachrane, formerly Commercial Director of the NHBC, as a Non-Executive Director.

Our Chief Executive, David Pretty, retires at Christmas after 27 years with the Group. David has given outstanding service to the company at all levels, including 16 years as a main Board Director and 4 years as Chief Executive. Under his leadership we have achieved a strengthened land bank and successive years of record growth in volumes and profits. He leaves the business well placed for the future and we wish him a long, happy and well-deserved retirement.

Mark Clare will join us to take over as Chief Executive on 2 October 2006 with David remaining on the Board for a further three months to ensure an orderly transition.

Looking ahead, we are well placed to continue to progress. Our wide geographic spread and extensive product range, together with our urban regeneration and social housing expertise, all contributed to another good result for the year. These core strengths, together with our experienced management team, healthy forward sales, strengthened land bank and strong finances leave us well positioned for the future.

A handwritten signature in black ink, appearing to read 'C. Toner', written in a cursive style.

Charles Toner,
Group Chairman

27 September 2006

“As a result of a strong team performance
we achieved yet another record result for the Barratt Group”



Oyster Wharf, Battersea, London SW11. This award-winning contemporary development of 150 homes, in a prominent West London location, includes affordable housing, live-work units and commercial and leisure space.

group chief executive's review



David Pretty, Group Chief Executive,
Barratt Developments PLC.

As a result of a strong team performance we achieved yet another record result for the Barratt Group. We increased completions and underlying profits, improved margins, generated strong forward sales and strengthened our land bank and balance sheet.

We also received widespread recognition for the quality of our designs and environmental performance, as well as the quality of construction across the Group.

We remain well placed for further growth this year and in the future.

HOUSEBUILDING

We completed a total of 14,601 new homes, an increase of 1.8%, at an average selling price of £165,800, which was 3.7% lower, as a result of the significant increase in social housing units and changes in the geographic profile of our completions. Total private completions were 5% down, at 11,899 units, with an increased selling price of £182,800, up 0.4%. Social housing completions increased by 53.5% to 2,702 at an average selling price of £90,500, down 11%.

Our housebuild turnover was £2,422.0m (2005: £2,472.4) lower by 2%.

Our operating margin improved to 16.7% (2005: 16.0%), benefiting from our strict control of build costs, and the impact of the implementation of a wide-ranging efficiency drive in each of our divisions. We also improved the efficiency of our selling and marketing activities and increased sales outlets. All this helped mitigate general cost pressures and improve our margin. We continue to take action to further reduce costs throughout our business.

The underlying operating profit from our core housing activity increased to £404.6m, up 2%.

Right: Highwood, Kenley, Surrey. This development of 79 traditionally-styled new homes is in a superb location with convenient access to the M25 and Gatwick airport.

FORWARD ORDER BOOK

We started the new financial year with a strong forward order book of £845m and, with further good sales progress, forward sales have now increased to £1.14bn, 27% higher than last year, and a new record. Together with completions to date, this secures 56% of our full year requirement. These record forward sales put us in a healthy position for the coming year.

HOUSING MARKET

In the first 6 months of our financial year the housing market was challenging. However, in the second half sentiment improved and buyer confidence returned to normal. Nevertheless, we competed well in all of our operational areas throughout the year and produced a good sales result.

The fundamentals of the housing market remain sound, with good buyer confidence, a benign interest rate environment and good employment levels. These are underpinned by a severely restricted supply of housing across the country caused by constant planning delays. There is an enormous need for new homes and every year that this demand remains unsatisfied, pent up demand increases. We are well placed to help satisfy this need.

On current trends we are confident of another year of progress.





CORE STRENGTHS

Our core strengths of geographic and product diversity and our urban regeneration and social housing expertise, continue to support business growth and provide valuable protection from market fluctuations.

Geographic and Product Diversity

Two of our greatest strengths are our wide geographic spread and extensive product range. These ensure we avoid an over-dependence on any one geographic area or market sector and enable us to adjust production, sales and land buying in line with market conditions. Today, we have over 450 sites being built by our 33 operating divisions working throughout England, Scotland and Wales. We are able to serve virtually all sectors of the market at prices currently from £85,000 to over £2m. Nevertheless, we have a competitive average selling price of £165,800 which increases our appeal to the widest range of buyers.

Earlier this year, we successfully launched our new iPad product, targeted at bridging the affordability gap for first-

time buyers. An ideal first step on the home ownership ladder, it provides good living space, a stylish open plan kitchen, a separate double bedroom and full bathroom, plus its own private balcony – all within 380 sq ft and at an affordable price. The first 30 iPads have recently been completed in Middlesbrough and were all sold well ahead of construction, at prices from £85,000. 5 further sites for 120 iPads are now under construction in Northern England, with 11 further sites for 484 iPads soon to start in various locations across Britain. An additional 48 sites for 1,642 iPads are in the pipeline.

The Group also recently unveiled an ‘Eco-Village’ of new homes in Chorley, Lancashire, each packed with the latest in energy efficient and ‘green’ technologies. The first project of its kind in Britain, it opened to wide acclaim. The seven traditional family houses will be independently assessed by the University of Manchester in order to establish accurate data on energy costs and benefits, as well as customer preferences. The findings will help us assess and evaluate a wide-range of state-of-the-art technologies in a variety of permutations. It will also help us decide which features we



can cost-effectively include in future homes whilst maintaining affordability for our buyers.

We are increasing our investment in the Midlands and North of England, where we already have successful divisions, but where we believe we can further profitably increase market share. This will include the upper market sector where a new range of homes will be introduced during the year. Already, 4 prestigious sites for 100 homes have been acquired with the first units due for completion in 2007.

Other areas of the country have been identified where we can increase coverage and market share.

Our new East Anglia division got off to a successful start in the year, completing its first 30 homes. It has a range of sites now under way and should complete 150 homes this year. It is on track to complete over 400 homes a year by 2010.

In June we completed the acquisition of Squires Bridge Limited, a small Guildford based developer. The acquisition is expected to provide over 250 low-rise traditionally built homes from four development sites in Hampshire and West Sussex. This follows the acquisition last year of Acre Developments Limited which provided 375 plots in Scotland.



- 1 The Boulevard, Edinburgh. We have completed a series of highly-successful developments in the capital. This project is providing 35 new homes on a former retail site in a superb location.
- 2 Barratt EcoSmart show village, Chorley, Lancashire. We have incorporated the latest in energy-efficient and 'green' technologies into seven family homes, whose performance is being independently assessed by the University of Manchester.
- 3 Freemans Meadow, Leicester. This project is creating a vibrant new community of up to 1,000 homes, plus shops, restaurants and offices on a 37-acre derelict waterfront site.
- 4 The Galleria, Peckham, London SE16. This unique partnership scheme, on a former printing works, is providing 98 homes for local people, plus 50 artists' studios let at around half the commercial rate through Acme Studios, a registered charity.
- 5 Steven Boyes, Group Board Executive Director (centre), with Andrew Devine and Samantha Evers, of Barratt York, winners of the Group's Development Team of the Year award.
- 6 & 7 Barratt iPad apartments have been designed to help bridge the growing affordability gap for first-time buyers. The iPad provides good living space, open-plan kitchen, separate double bedroom and full bathroom, plus private balcony.





Urban Regeneration and Brownfield Development

We continue to lead the regeneration of Britain's cities and urban areas with a 30 year track record in brownfield development and urban renewal. 82% (over 11,900) of our homes in the year were built on brownfield sites, rising to over 95% in London. This is well in excess of the Government's 60% target.

Our urban regeneration activities are not solely undertaken in London and the South East. Our brownfield activities extend to towns and cities across the rest of the country, including: Newcastle, Leeds, Edinburgh, Glasgow, Cardiff, Bristol, Birmingham, Leicester, Brighton and Southampton.

Our expertise is vividly illustrated by our recent transformation of the centre of Swiss Cottage (see front cover photograph) in North West London. A ground-breaking public/private partnership between Barratt, commercial partner Dawnay Day and Camden Council, our 'Visage' project is a spectacular 16-storey glass apartment building, including both luxury apartments and family apartments for local tenants to be managed by Ujima and Acton Housing Associations. A new 76,000 sq ft sports and leisure centre has also been provided for the local community, as well as a new community centre and a doctors' surgery.

A notable new example is in South Lanarkshire, West Scotland. Here, Barratt and AMEC Developments are working together, alongside a PFI project being promoted by AMEC to renew schools. Barratt has secured 9 sites to build almost 1,400 new homes worth more than £185 million. This is one of the largest programmes undertaken by Barratt in recent years, will start next year, and run on until 2011. This will help reinforce our position as a leading housebuilder in Scotland.

Brownfield development has massive potential right across Britain. With our unrivalled track record and our ability and willingness to work with others, we remain very well placed to contribute to, and benefit from, the nation's increasing emphasis on urban regeneration.



Social Housing Partnerships

Our social housing partnerships continue to contribute to the success and growth of our business. We lead the industry in the provision of affordable housing, whether it is for low cost homes for sale, rent, shared ownership or special needs. We significantly increased output in the year, building 2,702 homes for our housing association partners, an increase of 54%. Our production has increased 216% over the past 5 years and we remain the largest provider of social housing from the private sector.

Currently, we have 157 partnerships underway across Britain, with a further 49 due to start.

In June we became the first housebuilder to receive direct funding from English Partnerships to provide low cost first-time buyer homes for key workers in the South East. The grant will be used at our major 'Axiom', Feltham regeneration project in the London Borough of Hounslow.

There is an enormous and growing need for social housing in all its forms and Government emphasis on this crucial sector is increasing. With our long experience in this field and our national network of local divisions, we remain well placed to contribute and maintain our leadership.

- 1 City Point, Brighton. The former goods yard of the city's railway station is being transformed into a mixed-tenure scheme of 248 contemporary homes. A supermarket, hotel and training school are also planned for the site.
- 2 Mark Pain, Group Finance Director, presents Fiona Santini, of Barratt Exeter, with the Group's Sales Advisor of the Year award.
- 3 Explorer Court, Plymouth. This highly-successful development provided 51 homes in a prime location and won praise for its bold design.
- 4 Clive Fenton, Group Board Executive Director (centre), with London-based apprentices. Our apprentice training programme continues to be the largest in the industry.
- 5 Stylish interiors: our homes feature versatile interior layouts, thoughtfully-designed to maximise living space to suit modern lifestyles.
- 6 The Zone, Bristol. This stunning contemporary development in the heart of the city is providing 320 apartments and townhouses, including homes for rent and shared ownership.





LAND AND PLANNING

Our land acquisition and planning skills continue to serve us well. Once again we were able to strengthen the size and quality of our land bank in the year, acquiring 19,661 plots, which was 5,060 plots, 35%, more than we used. These increased the land bank to 59,000 plots and, including 7,500 further plots agreed, now brings our total land bank to over 66,500 plots. This is the highest ever and represents 4.5 years' supply at current volumes.

We spent £841m on land acquisition during the year, an increase of £96m over the preceding year. This reflects our continuing investment in the organic growth of the business.

Notwithstanding the extremely slow planning system, we achieved an increased level of planning approvals for 18,840 plots. This is 15% more than the previous year. As a result, we have all the necessary approvals in place to achieve our requirements for this year. Furthermore, over 90% of the land required for 2007/08 is already owned or contracted, and over 70% for the following year, 2008/09.

SKILLS TRAINING

Our apprentice training programme continues to be the largest in the industry, making a real contribution to addressing the national construction skills shortage. Currently, over 500 apprentices are receiving on-site skills training on our developments nationwide. In addition, we have 55 graduates on fast-track career paths.

We have significantly increased our investment in general skills training. Over a third of our workforce has now achieved the CSCS (Construction Skills Certification Scheme) standard. We remain on track to have a fully carded and qualified workforce, including our subcontractors, by 2010.

CORPORATE RESPONSIBILITY REPORT

We have continued to make good progress in Corporate Responsibility (CR) and our strategy has become more embedded in our day-to-day operations across all areas of our business, including governance and risk, environmental management, human resources, health and safety, community issues and supply chain management.

During the year we achieved the international standard ISO 14001 for Environmental Management at a further 9 divisions, bringing the total to 15. By the end of 2007 all divisions should have an environmental management system certified to ISO 14001. This will assist us in controlling risks and delivering continual environmental improvement on our development sites.

We continue to work closely with all our stakeholders and over the last 12 months have concentrated on engagement with employees and customers. We developed a new corporate induction programme, which informs our employees about our commitment to CR, and also launched a Customer Care Code of Practice.

Further details of our progress are available in our third CR report at www.barratt-investor-relations.co.uk

HEALTH AND SAFETY

Whilst we have made good progress in our management of health and safety during the year to 30th June, in particular a reduction of 36% in our accident rate to 672 reportable accidents per 100,000 persons employed, we are saddened to report that a fatal accident occurred on a Barratt development on 26th September 2006.

The accident occurred at our Battersea Park Road development in London when a tower crane collapsed and resulted in the tragic deaths of two people. Barratt is very shocked by this loss of life and, together with the crane contractor Falcon, is working closely with the Police and Health and Safety Executive to establish exactly what happened.



- 1 The Dell, Southampton. This award-winning development built on Southampton's former football stadium provided 228 new homes, including 44 for rent, and utilises a geo-thermal district heating system.
- 2 Geoff Hester, Group Board Executive Director, at Heron's Landing, Fareham, a superb development of 16 waterside homes close to the town centre.
- 3 Capital East, London E16. One of the largest single redevelopment schemes in Docklands, this will provide around 700 apartments, plus retail and leisure space. Already more than 500 homes have been sold.
- 4 Barratt site managers swept the board in the prestigious NHBC Pride In The Job competition for quality workmanship, winning more awards than any other builder. Three won top Regional Awards: (l-r) Michael Dent, Ian Ingram and John Fox.
- 5 Laurence Dent, Corporate Director (left), and Bhagwant Singh Chodha, a bricklayer with Barratt Leeds, who beat off competition from over 500 other apprentices to become the Group's Apprentice of the Year.



CUSTOMER CARE

We have completed a comprehensive overhaul of our quality and customer service procedures and our independently audited buyer survey responses show continued improvement. However, we are targeting further, and lasting, improvement in all parts of our operation.

Our new 10-point Customer Charter unequivocally sets out the standards of quality and service we strive to provide to our customers. We have also rolled out a Customer Care personal code of practice for all our staff, suppliers and sub-contractors, pledging our commitment to the core values of integrity, respect and courtesy upon which the delivery of quality and service depend. A comprehensive staff training programme for the new Charter and the Code of Practice has been implemented.

AWARDS

Our construction teams produced another excellent performance in this year's NHBC "Pride in the Job" campaign securing 53 Quality Awards, up from 51 last year, a new record, and more than any other housebuilder. Barratt was also named by the Sunday Times and Business in the Community as one of the UK's "Top 100 companies that count", and recognised by the Government's advisory body, CABA (Commission for Architecture and the Built Environment) as one of only 5 private sector companies "whose forward thinking and motivation has led to better buildings and public spaces".

The Group also did extremely well in the 2006 Daily Express British Housebuilder Awards, scooping 10 top honours, more than any other housebuilder. Barratt Homes lifted Gold, Silver and Bronze awards in a variety of categories, whilst KingsOak secured the Best National Builder in Britain Award, for the second year in succession.



OUTLOOK

We have achieved another good result, despite a very competitive market, and have delivered our 14th consecutive year of growth. We have made a good start to the new financial year and have a record forward order book in place.

The underlying fundamentals of the housing market remain sound, the market has returned to normality and we are confident of our ability to compete and continue to grow our business. Our national geographic spread and wide product mix, together with our brownfield and social housing expertise are key strengths. Notwithstanding general concerns about interest rate trends, our record forward sales, strengthened land bank and strong finances put us in a healthy position for the coming year and will provide many growth opportunities for the Group in the future.

David Pretty
Group Chief Executive

27th September 2006

1 The Grange, Harrow. This 138-home project on a former hospital site involved the careful refurbishment of Edwardian Grade II listed buildings into apartments, plus new-build townhouses.

2 Axiom, Feltham. In the London borough of Hounslow, work is under way on two major town centre regeneration schemes. This project is providing over 800 homes, including shared ownership homes for local job workers and first-time buyers.



The Axis, Romford. Barratt has been a key player in the Thames Gateway area since 1981, completing over 12,000 homes. This landmark regeneration scheme is providing 299 new homes plus a new supermarket.

Directors and Professional Advisers

Directors

C G Toner *§ <i>Chairman</i>	D A Pretty § <i>Chief Executive</i>			
M S Clare	S J Boyes	R J Davies *†§‡	C Fenton	G K Hester
A E Kilburn *†§‡	R MacEachrane*†§‡	M A Pain	M Pescod *†§‡	W Shannon*†§‡

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

Mr C G Toner, 64, 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, 61, 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. He was appointed a director of the Home Builders Federation in January 2005 and is a member of the Code for Sustainable Buildings Senior Steering Group set up by the ODPM in December 2004. In June 2006 it was announced that Mr Pretty would be retiring on 31st December 2006, and on 2nd October he stepped down as Chief Executive, although he will remain a Group Board Executive Director until his retirement.

Mr M S Clare, 49, was appointed Group Chief Executive on 2nd October 2006, replacing David Pretty. Formerly Managing Director of Centrica's British Gas Residential Energy operation, he joined British Gas in 1994, becoming Centrica's Finance Director in 1997 and Managing Director of British Gas Residential Energy in 2002. He was a Non-Executive Director of BAA Plc until it was recently acquired.

Mr S J Boyes, 46, joined the Group in 1978. Formerly the managing director of Barratt York, he was appointed to the Group Board in July 2001 and is Group Board Executive Director of the Barratt North Region.

Mr R J Davies, 58, was appointed a non-executive director in May 2004. He is the Chairman of Biffa Plc and a non-executive director of British Energy Group plc. He was Chief Executive of Arriva plc until April 2006, a position he held from December 1998, having previously held the same position with East Midlands Electricity Plc.

Mr C Fenton, 48, initially joined the Group in 1983 becoming managing director of Barratt West London in 1996. He was appointed to the Group Board in July 2003 and is Group Board Executive Director of the Barratt South Region.

Mr G K Hester, 61, 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 Group Board in November 1999. He is the Group Board Executive Director of the KingsOak Region.

Mr A E Kilburn OBE, 70, 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 and not for profit enterprises including the North of England Civic Trust and the Affinity Sutton Group, of which he is Chairman.

Mr R MacEachrane, 61, was appointed a non-executive director on 1st May 2006. He was formerly Commercial Director and an executive director of the National House Building Council (NHBC) Main Board before retiring after 25 years service in April 2006. He is a member of the Governing Board of the NHBC Foundation, an independent charitable research foundation, which is a joint venture with the Building Research Establishment.

Mr M A Pain, 45, was appointed an executive director on 1st March 2006 and assumed full responsibility as Group Finance Director on 1st July 2006. He was formerly the Finance Director of Abbey National plc and also served as Chief Executive of Abbey National Treasury Services and as Main Board Director responsible for retail sales.

Mr M Pescod, 60, was appointed a non-executive director in October 2001. He is a founding partner of the investment bank Tricorn Partners LLP.

Mr W Shannon, 56, was appointed a non-executive director on 1st September 2005. He is currently non-executive Chairman of both Aegon UK plc and Gaucho Grill Limited and a non-executive director of Matalan and Rank plc. He was previously an executive director of Whitbread PLC from 1994 to 2004.

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
Newcastle upon Tyne

Brokers
JPMorgan Cazenove
UBS Investment Bank

Solicitors
Slaughter and May

Merchant Bankers
UBS Investment Bank

Notice of Annual General Meeting

Notice is hereby given that the forty eighth 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 28th November 2006 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 2006.
2. To declare a final dividend.
To re-elect directors:
3. Mr S J Boyes who retires by rotation.
4. Mr C Fenton who retires by rotation.
5. Mr G K Hester who retires by rotation.
6. Mr M A Pain who retires at the first annual general meeting following his appointment by the Board.
7. Mr R MacEachrane who retires at the first annual general meeting following his appointment by the Board.
8. Mr M S Clare who retires at the first annual general meeting following his appointment by the Board.
9. 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.
10. That the Directors' Remuneration Report for year ended 30th June 2006 be and is hereby approved.

To consider and, if thought fit, pass the following resolutions of which resolution 11 will be proposed as an ordinary resolution and resolutions 12 and 13 will be proposed as special resolutions.

11. 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 £5,684,804 being 23.88% of the nominal value of the existing issued share capital as at 27th September 2006 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.
12. 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 11 (subject to the passing of resolution 11) 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 £1,215,760 being 5% of the nominal value of the existing issued share capital as at 27th September 2006,

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.

Notice of Annual General Meeting

13. 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 24,315,195 Ordinary Shares;
- (b) the maximum price, exclusive of expenses, which may be paid for an Ordinary Share, contracted to be purchased on any day, shall be the higher of (i) 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 that Ordinary Share is contracted to be purchased and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out; 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 conclusion of the Company's next annual general meeting or, if earlier, 27th May 2008 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
Rotterdam House
116 Quayside
Newcastle upon Tyne NE1 3DA

By order of the Board
L Dent
Secretary
12th October 2006

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 6pm on 27th November 2006 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) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting to be held on 28th November 2006 and at any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (iv) 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 2006.

ACTIVITIES OF THE GROUP

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

The information that fulfils the requirements of the business review can be found in the Chairman's Statement on page 5, the Chief Executive's Review on pages 7 to 14, and the directors report on pages 19 to 28, which provide a full review of the Group's performance and prospects. Our key financial performance indicators include pre-tax profit, cash, return on average capital employed, forward order book, land bank, net assets and earnings per share.

In addition to these financial indicators the Company monitors other key performance indicators that include corporate responsibility, health and safety and customer care.

The performance of the business is subject to a number of risks, that are set out below. Risks are formally reviewed by the Board and appropriate processes are put in place to monitor and mitigate them. Key risks which are covered in the Chief Executive's Review include: Housebuilding - volume, selling price, margin; Housing Market - buyer confidence, interest rates, employment levels, general product demand and supply; Land and Planning - size and quality of land bank, approvals; Skills Training - recruitment, succession, skills and experience.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 30th June 2006 was £275.0m (2005 £282.1m).

An interim dividend of 10.34p per share (2005 8.99p) was paid on 26th May 2006 and it is proposed to pay a final dividend of 20.69p per share (2005 17.99p) on 29th November 2006 to shareholders on the register at the close of business on 3rd November 2006.

ANNUAL GENERAL MEETING

The notice of the annual general meeting on page 17 contains three resolutions relating to the Company's share capital.

Resolution number 11 requests shareholder approval to renew for one year the directors' authority to allot unissued shares in the capital of the Company and Resolution number 12 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 13, 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 12).

In seeking this authority, the Board is not indicating any commitment to buy back ordinary shares. The Board will exercise the authority only 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 27th September 2006 was 8,727,691 (being 3.6% of the issued share capital at that date and representing 4.6% of the share capital which would be in issue if both the existing authority to purchase shares granted at the 2005 AGM and the authority being sought were fully utilised).

DIRECTORS AND THEIR SHAREHOLDINGS

The current directors of the Company are listed on page 16. Mr M A Pain was appointed a director on 1st March 2006, Mr R MacEachrane was appointed a director on 1st May 2006, and Mr M S Clare was appointed a director on 2nd October 2006. Mr P H Ashworth retired on 17th November 2005. Mr P R Gieron resigned as a director on 31st December 2005. Mr C A Dearlove and Mr H Walker retired on 30th June 2006. All other directors listed on page 16 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 2006		1st July 2005*	
	Fully paid	Executive share options	Fully paid	Executive share options
C G Toner	10,000	–	8,000	–
D A Pretty	115,325	371,759	100,325	551,759
S J Boyes	65,238	336,018	65,238	336,018
R J Davies	1,000	–	–	–
C Fenton	9,973	195,376	9,973	215,376
G K Hester	64,264	284,734	61,264	344,734
A E Kilburn	4,000	–	4,000	–
R MacEachrane	–	–	–	–
M A Pain	25,000	–	–	–
M Pescod	10,000	–	10,000	–
W Shannon	2,000	–	–	–

*or date of appointment.

Directors' Report

At 30th June 2006 the executive directors had a potential future interest in 3,865,390 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 pages 29 to 36.

No notification had been received of any change in the above interests during the period 30th June 2006 to 27th September 2006. On his appointment on 2nd October 2006 Mr M S Clare held an interest in 53,306 fully paid ordinary shares.

Under the provisions of Article 87 of the Company's memorandum and articles of association, Mr S J Boyes, Mr C Fenton and Mr G K Hester offer themselves for re-election. Mr M A Pain, Mr R MacEachrane and Mr M S Clare retire in accordance with the provisions of Article 86 and offer themselves for re-election. Mr A E Kilburn will retire at the annual general meeting and will not seek 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 24 to the accounts.

CORPORATE GOVERNANCE

The Board believes that in terms of the overall direction and control of the Company effective corporate governance will come principally from the values, standards and disciplines it seeks to apply in dealings with shareholders, customers, staff, suppliers, contractors and other stakeholders. Many of the Company's core values and standards are set out in a range of procedures and practice guidelines communicated throughout the Group. However, external governance codes set the framework for our internal standards and we therefore seek to comply with established best practice in all areas of corporate governance.

Statement of Compliance

The Company is committed to the highest standards of corporate governance. Throughout the year ended 30th June 2006 the Company complied with the provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 ("the Code") except in the following areas.

Code provision A.3.2. requires that at least half of the Board, excluding the Chairman, should comprise independent Non-Executive Directors. At the start of the year the Board comprised, excluding the Chairman, 4 Non-Executive Directors considered to be independent, 1 Non-Executive Director considered to be non-independent and 7 Executive Directors. After P R Gieron stepped down, and following the retirements of C A Dearlove, H Walker and P H Ashworth and the appointments of W Shannon, M A Pain and R MacEachrane during the year, as detailed below, the Company achieved a balanced and independent Board as required by the Code.

Code provision B.2.1. requires the Remuneration Committee to consist of at least three members who should all be independent Non-Executive Directors. Mr C G Toner, as Chairman of the Board, stepped down from membership of the committee on 18th November 2005 leaving 3 remaining members who are independent Non-Executive Directors complying with the Code.

The non-compliance highlighted in last years annual report and accounts concerning annual bonus in pensionable salary has been addressed and with effect from 1st July 2005 the pensionable salaries of all Directors were based on basic salary only in accordance with Schedule A to the Code.

The Board

The Company is led and controlled by the Group Board which met seven times during the year. The Board has a schedule of matters reserved for its approval which is reviewed annually. The Board is responsible for:-

- the development of strategy and policy;
- the annual approval of a three year operating plan and budget;
- the approval of financial statements and dividends;
- the approval of major projects, acquisitions and disposals;
- monthly business performance;
- the systems of internal control and risk management;
- ensuring that the necessary financial and human resources are in place to enable strategies to be met;
- corporate governance.

Directors' Report

In May, as in previous years, the Board met for a full day to review and develop the overall business strategy of the Group. In the week prior to the Board Meeting each Director is issued with an agenda, briefing papers and comprehensive operating and financial management reports for the period under review. The Company Secretary, a practising solicitor, attends all Board and Committee Meetings and all Directors have access to his advice and, if necessary, to independent professional advice at the Company's expense.

All Directors were in attendance at all meetings during the year from the date of their appointment, apart from Mr W Shannon who presented his apologies to one meeting, although he had reviewed the reports and management information and provided his views to the Chairman ahead of the meeting.

Board Membership

The names and descriptions of the Directors are set out on page 16 of this report. The Board believes that the Chairman and all Non-Executive Directors are wholly independent in that they have no business or other relationship with the Group that might influence their independence of judgement.

At the end of the financial year the Board comprised 11 members, including the Chairman, 5 Non-Executive Directors and 5 Executive Directors. In this respect, Non-Executive Director Mr P H Ashworth retired on 17th November 2005; Mr P R Gieron stepped down from the Board on 1st January 2006; Group Finance Director Colin Dearlove and Deputy Chief Executive H Walker each retired on the 30th June 2006. Mr W Shannon and Mr R MacEachrane were appointed Non-Executive Directors with effect from 1st September 2005 and 1st May 2006 respectively and Mr M A Pain was appointed as a Director with effect from 1st March 2006 and took over as Group Finance Director on 1st July 2006 following the retirement of Mr C A Dearlove. The Company therefore complies with the principles of the Code in relation to the balance of Executive and Non-Executive Directors and the number and calibre of Non-Executive Directors on the Board, together with their diverse backgrounds and experience, ensures that this principle is met.

The division of responsibility between the Chairman of the Board, Mr C G Toner, and the Chief Executive, Mr D A Pretty, is clearly defined and has been approved by the Board. The Chairman leads the Board in the determination of strategy and in the achievement of its objectives. He is responsible for organising the business of the Board, for setting its agenda and for ensuring its effectiveness. The Chairman facilitates the effective contribution of Non-Executive Directors and also ensures that the Board receives timely and accurate information so as to properly conduct its business as well as ensuring that communications with shareholders are effective.

The Senior Independent Director has specific responsibility for co-ordinating 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 current Senior Independent Director, Mr A E Kilburn, retires at the next Annual General Meeting and will be replaced by Mr M Pescod.

During the year the Chairman and the Non-Executive Directors met on 2 occasions independently of management.

Board Achievement, Performance Evaluation and Training

There is a formal procedure for the appointment of new Directors to the Board. This procedure is overseen by the Nominations Committee and further details are set out below. All Directors joining the Board submit themselves for election at the Annual General Meeting following their appointment and a third of Directors retire each year and submit themselves for re-election to the Annual General Meeting. The names of the Directors subject to election and re-election are set out in the Directors' Report. Normally Non-Executive Directors are appointed for a 3-year term and, subject to performance review and re-election, are eligible to serve up to a maximum of 3 such terms.

During the year a formal and structured process of evaluation of the performance of the Board, its Committee and individual Directors was undertaken by the Nominations Committee under the leadership and direction of the Group Chairman. The main aims of the process, which is based on the guidance set out in the Higgs Report "Review of the Role and Effectiveness of Non-Executive Directors", are to:-

- promote a culture of continuous improvement, learning and development;
- identify gaps or problem areas in terms of knowledge or skills;
- assist with succession planning;
- improve openness, communication and motivation.

Central to the evaluation process are the Board's annual review of business strategy and the objectives and performance targets set by the Board each May for itself, its Committees, for the Chief Executive, and through him for the Executive team, against which overall performance is measured. In this way the evaluation is undertaken within clear parameters linked to overall strategy, operational and financial performance and the role and contribution made by the Board, its Committees and individual Directors in the attainment of agreed objectives and targets.

Directors' Report

During the year, to develop further the effectiveness of the evaluation process, the Board introduced and circulated to all Directors a comprehensive performance evaluation questionnaire through which all Directors and the Company Secretary were given the opportunity to give their views on the effectiveness of the Board and its Committees, particularly by identifying any shortcomings in procedures, working methods or any other areas of weakness requiring attention and improvement. In addition, the performance of individual Non-Executive Directors and the Chief Executive was appraised by the Chairman and the performance of the Executive Team by the Chief Executive. The Senior Independent Director led the appraisal of the Chairman's performance after obtaining the views of all Directors in one-to-one discussions.

The results of the questionnaires, system and proposals were reviewed and evaluated by the Nominations Committee and reported to the Group Board. On the evidence provided the Board and its Committees are satisfied with the overall effectiveness and balance and with the performance and contribution of the individual Directors. As a result of the process steps have been taken to improve the structure of Board and Committee agendas and to develop an annual reporting programme linked to quarterly and half year business reviews and overall strategic objectives.

Board Committees

The Board has established 4 standing committees, the Executive Committee, the Audit Committee, the Remuneration Committee and the Nominations Committee, the functions of which are closely specified within defined terms of reference.

Executive Committee

The Executive Committee comprises:-

Mr D A Pretty, Mr S J Boyes, Mr L Dent, Mr C Fenton, Mr G K Hester, Mr M A Pain.

The Committee meets monthly and all members were present at all meetings during the year except for Mr D A Pretty who was absent for part of one meeting due to illness.

The Board delegates management of the business to the Executive Committee, which is led by the Group Chief Executive, and has overall responsibility for:-

- implementing all operational policy and strategy across the Group;
- the preparation and development of the Group Three Year Plan, Annual Business Plan and Budget to achieve the Group's objectives as determined by the Board;
- monitoring the performance of the Group with particular emphasis on performance as measured against the Strategic Plan, Annual Business Plan and Annual Budgets, and other relevant key performance indicators;
- monitoring all monthly financial and other management reports;
- approving schemes, projects and contracts in accordance with authority delegated by the Board;
- the management of proper systems of internal control and the identification of material risk to the business;
- determining the senior management and staff structures of the organisation, terms and conditions of employment and remuneration and reward policies;
- taking all necessary action to ensure that day to day Group business operations are effectively managed and controlled.

The Audit Committee

During the year the Audit Committee comprised Mr M Pescod (Chairman), Mr R J Davies and Mr A E Kilburn, with Mr W Shannon joining on 15th September 2005 and Mr R MacEachrane on 12th July 2006. All members are wholly independent Non-Executive Directors in accordance with Code provision C.3.1. Mr M Pescod, Mr R J Davies and Mr W Shannon are considered to possess recent and relevant financial experience.

Under its terms of reference the Audit Committee monitors the integrity of the Group's financial statements and any formal announcements relating to the Group's performance. The Committee is responsible for monitoring the independence and objectivity of the external auditor and the effectiveness of the external audit process and for making recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditor. The Committee is also responsible for monitoring the Group's financial management and reporting systems and for monitoring the integrity and effectiveness of its accounting procedures, system of internal control and the process for identifying and monitoring the risks facing the Group. Lastly, the Audit Committee is responsible for reviewing the terms of reference of the internal audit function, its work programme and priorities and the quarterly reports on its work during the year.

Directors' Report

In the year to 30th June 2006 the Audit Committee met on 4 occasions, with all members present at each meeting, and discharged its responsibilities as set out in its terms of reference.

Significant areas of review during the year included developing Group internal control and risk management systems. The Committee also reviewed the internal audit function, its resourcing, work programmes, the results of internal audits and the adequacy of management's response.

The Committee invites the Group Chief Executive, the Group Finance Director and other members of senior management and senior representatives of the external auditors to attend meetings as required.

Remuneration Committee

During the year the Remuneration Committee comprised Mr A E Kilburn (Chairman), Mr R J Davies, Mr M Pescod and Mr W Shannon from 14th September 2005. Mr R MacEachrane joined the Remuneration Committee on the 12th July 2006. Mr C G Toner stepped down from the Committee on 14th September 2005. All current members of the Committee are considered by the Company to be wholly independent in accordance with Code provision B.2.1. During the year under review the Remuneration Committee met twice with all members present. The Committee operates under defined terms of reference.

The Committee's principal responsibilities are:-

- reviewing and approving Executive remuneration policy, including the terms and conditions of employment for Executive Directors and their individual remuneration packages;
- approving the rules of and the basis of participation in Group share option, long-term performance plans and cash based bonus incentive schemes and the specific awards, grants and payments made under any such schemes;
- obtaining independent advice in relation to Executive Director remuneration;
- monitoring Group remuneration policy against competitor and industry norms.

During the year the Remuneration Committee continued to review the Executive remuneration policy reported on in last year's annual report and accounts.

Nominations Committee

During the year the Nominations Committee comprised Mr C G Toner (Chairman), Mr R J Davies, Mr A E Kilburn, Mr M Pescod, Mr D A Pretty, Mr P H Ashworth, until his retirement on 17th November 2005, Mr W Shannon from 14th September 2005 and Mr R MacEachrane from 29th May 2006.

The majority of members of the Committee are considered by the Company to be wholly independent. The Nominations Committee met on 7 occasions during the year and all members were present for each meeting except for Mr W Shannon and Mr A E Kilburn who were both absent for one meeting. In addition Mr D A Pretty did not attend those parts of the meeting dealing with his successor.

In recruiting and selecting new Directors the Nominations Committee has followed a rigorous process with the initial short-listing being prepared using external recruitment consultants followed by one to one meetings with members of the Committee and the final selection being made by the Board as a whole. In the year ended 30th June 2006 the Nominations Committee:-

- reviewed the performance of Executive and Non-Executive Directors;
- undertook a recruitment selection process to appoint an additional Non-Executive Director, Mr R MacEachrane, with effect from 1st May 2006;
- undertook a recruitment selection process involving external consultants Ian Jones & Partners to appoint a new Group Finance Director, Mr M A Pain, with effect from 1st March 2006;
- undertook a recruitment selection process involving external consultants Ian Jones & Partners to begin the succession arrangements for the retirement of Mr D A Pretty and the appointment of his successor, Mr M S Clare, with effect from 2nd October 2006.

Directors' Report

Accountability

The Directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards and which give a true and fair view of the state of affairs of the Company and the Group and of the profit and loss of the Group for the period under review. The Directors are also responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board believes that the financial statements and reviews contained in this report provide a balanced and understandable assessment of the Group's position and prospects.

The Directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30th June, 2006.

The Annual Report and Accounts will be published on the Group's Investor Relations Website. The maintenance and integrity of the Group's website is the responsibility of the Directors. The work undertaken by the external auditors does not include consideration of these matters. Legislation in the United Kingdom governing the preparation and dissemination of financial statement may differ from legislation in other jurisdictions.

Going Concern

After making due enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Internal Control and Risk Management

The Board confirms that it has maintained a system of internal control in accordance with Code provisions C.2. and C.2.1. and that this statement has been prepared in accordance with the "Turnbull Guidance" on internal control appended to the Code.

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage risks that may impede the achievement of the Group's business objectives rather than to eliminate those risks entirely. The system of internal control therefore provides only reasonable, not absolute, assurance against material misstatement or loss. The system of internal control does, however, provide reasonable assurance that potential difficulties can be identified promptly and appropriate remedial action taken.

It is the responsibility of the Executive Directors and senior management to implement and maintain the Group's internal control and risk management systems in accordance with policy approved by the Board. The key aspects of the Group's internal control and risk management framework are as follows:-

- A clear organisational structure with defined levels of authority and responsibility for each operating division.
- Comprehensive financial and management reporting systems under which financial and operating performance is consistently reviewed against budget and forecasts at divisional, regional and Group level on a monthly basis.
- Key risk areas such as land purchase, planning permission, production, sales, quality, customer care and service standards, adverse publicity, the market, corporate responsibility, environmental and health and safety performance, are embedded in the Group's monthly management reporting system so that risk identification and the control of risk are a routine aspect of management responsibility.
- Internal control and risk management systems are supported by the Group Internal Audit Team which is responsible for advising senior management, the Executive Directors and, through the Audit Committee, the Board on the operation and effectiveness of those systems. The Internal Audit Team undertakes a planned programme of audit appraisals across Group operations approved by the Audit Committee, including full divisional audits and targeted audits of key risk areas such as land viability process, land acquisition control and monitoring, work in progress and subcontractor payment controls. Material issues identified in these audits and follow-up action plans are reviewed by the Executive Directors and by the Board on a quarterly basis.

The Board has reviewed the effectiveness of the system of internal control in accordance with the Turnbull Guidance and is satisfied that it is in accordance with that guidance.

During the year a Group Senior Internal Auditor was appointed and a risk based audit protocol was developed to supplement existing divisional compliance audits.

Directors' Report

CORPORATE RESPONSIBILITY

During the year the Group has continued to make good progress in Corporate Responsibility (CR).

Our CR strategy is becoming more embedded into our day to day operations through the application of seven strategic objectives in the areas of:- governance and management systems, creating value for society, managing our environmental impact, procurement and design, occupational health and safety, employment and diversity and engagement with our stakeholders and communities.

Our governance of CR issues is very strong, directed through regular meetings of our CR Steering Group, which includes representatives from human resources, health and safety, design and technical, sales and marketing, divisional management and the Board.

We have continued to roll out CR related management systems, helping us to manage some of our key CR risks. We have introduced an environmental management system certified to the international standard ISO 14001 at a further nine divisions, making a total of 15. By the end of 2007 all divisions will have an environmental management system certified to ISO 14001. We have also certified our internal health and safety management system to OHSAS 18001 in a further six divisions making a total of seven. A further eight divisions will be certified next year.

Our overall improvement in CR has been independently recognised through the CR Index organised by Business In The Community. This year we improved our score from 64% to 77% and moved into the top 100 companies taking part in the index. We also achieved an "outstanding performance" of over 95% in the Workplace Management section of the Index, which demonstrates that we are effectively managing CR issues in the workplace.

We are now seeing the business benefits that our commitment in these areas is bringing. For example our insurance premiums for the year ahead are approximately 40% lower than last year, due primarily to our improved accident record over the past 3 years, and a resource efficiency review of our sites has highlighted potential energy savings of up to 21 million kWh of energy (equivalent to 5,250 tonnes of carbon dioxide emissions) per year.

Innovation is a key theme in our CR strategy. This year we launched our EcoSmart show village at Buckshaw Village, near Chorley - the first project of its kind in Britain. We have incorporated into seven of our best selling standard house types the latest in resource and energy efficient products and a variety of renewable energy generation technologies, such as wind turbines, geothermal heating and solar panels. We are using these show homes, to gauge the effectiveness of the technologies and the preferences of potential buyers.

We continue to work closely with all our stakeholders. This year we have concentrated on engagement with employees and customers. All our employees received a copy of our second CR report and our new company newsletter contains a regular feature on CR related issues. We have designed a new corporate induction programme which informs our employees about our commitment to CR and our seven strategic objectives and challenges them to think of ways that they can contribute. We have launched a Customer Care Code of Practice, which sets out the way we want our staff to treat our customers, and introduced a supplier charter to encourage our suppliers and subcontractors to achieve the same high standards of care as our own staff.

Further details of this progress and our future objectives and targets will be available in our third Corporate Responsibility Report at www.barratt-investor-relations.co.uk. Detailed CR-related policy statements are also available on this website.

ENVIRONMENTAL PERFORMANCE AND SUSTAINABILITY

Through our environmental policy we seek to restore and enhance the natural environments in which our developments are set, to improve the environmental performance of our products and to minimise the potential adverse impacts of our business operations.

We have made a significant investment into trialling renewable energy technologies at our EcoSmart show village in Chorley, reviewed our standard house designs in accordance with the "Green Guide to Housing Specification" and assessed the environmental rating of over 560 homes using the EcoHomes standard.

Since 2001 we have comprehensively improved waste management performance across all of our site operations and reduced our impact on landfill. We now generate approximately 200 tonnes of waste per development per year compared to 300 tonnes when we first started monitoring and in the first six months of 2006 we recycled 1,750 tonnes of waste plasterboard.

Directors' 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 development of our Group Occupational Health and Safety Management System (OHSMS) introduced three years ago. Seven of our divisions now have an OHSMS certified to OHSAS 18001 and we intend to certify another 8 divisions next year.

We have continued the theme of innovation with the launch of a bespoke working platform and crash deck system called Swaledek, developed in conjunction with Swale Scaffold Limited. The system provides a 2m high working platform from which to fix floor joists and roof truss assemblies and prevent falls from upper floors.

We have reduced our accident rate on our sites to 672 reportable accidents per 100,000 persons employed, down from 1060 last year, and our aim is to improve on this result by 10% year on year. For the fourth year running the average safety standard ratings achieved by the Group 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.

However we are saddened and shocked to report a fatal accident that occurred at our Battersea Park Road development on 26th September 2006, which resulted in the tragic deaths of two people. Barratt and Falcon, the crane contractor, are working closely with the Police and Health and Safety Executive to establish exactly what happened.

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 communications 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, marital status, sexual orientation or age.

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 517 apprentices and 55 graduate trainees. This year the percentage of our direct employees trained to NVQ level 2 or equivalent increased to 49.4%, up from 38.4% last year.

This year we recruited 5 Regional Human Resources/Training Managers to create a dedicated HR team who will provide our divisional management teams with advice on how to deliver best practice in terms of employment procedure and Group human resources policies. The team is also helping to deliver strategic programmes such as our new Performance Development Review and Corporate Induction Programmes, Group Newsletter and Human Resources Guide for Managers.

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. We have also committed to the Construction Skills Certification Scheme (CSCS) for our employees and subcontractors as part of the Major House Builders Group Qualified Workforce Initiative.

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 has therefore undertaken a review of the Group's succession planning arrangements and is developing a Performance Development Review programme for all senior management that will eventually be cascaded down to all staff.

Directors' Report

INVESTOR 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 we continued to develop the investor communication programme in conjunction with Weber Shandwick Square Mile our financial PR advisors. The "investor relations" website (www.barratt-investor-relations.co.uk) provides a full Company profile, regular corporate news updates and access to Company share price and regulatory announcements. Further shareholder services have been established whereby shareholders may deal in the Company's shares via its website and also access the Company's share register to view their shareholding, with the opportunity to make changes to their account details including the downloading of appropriate forms and also access the history of their shareholding.

Our annual and interim reports, together with half-yearly trading updates, 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 available to shareholders on our investor relations website. The Annual General Meeting is used to enable all 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 London 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 Group Chief Executive and Group Finance Director meet regularly with institutional investors and analysts in order to convey an understanding of the Company's operations, the market and its management objectives and in the year under review a total of 60 such meetings have been held. 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's joint brokers, JPMorgan Cazenove and UBS Investment Bank, also work actively on our 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.

Directors' Report

STATUTORY INFORMATION

At 27th September 2006 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
Fidelity Management & Research Co.	11.08.06	26,646,197	10.96%
Putnam Investments	11.08.06	10,322,605	4.25%
Causeway Capital Management LLC	24.03.06	9,409,768	3.87%
Lazard Asset Management	05.05.06	7,861,247	3.24%
Sprucegrove Investment Management	01.09.06	7,268,084	3.00%

During the year the Group made charitable donations of £10,000 (2005 £61,000). No political contributions were made during the year.

CREDITOR PAYMENTS

Each Group company is responsible for agreeing the detail of terms and conditions relating to transactions with its suppliers. It is Group policy to abide by the agreed terms of payment with suppliers where the goods and services have been supplied in accordance with the relevant terms and conditions of contract. Implementation of this policy resulted in a supplier payment period for the Company of 39 days (2005 33 days) for its trade creditors at 30th June 2006.

AUDITORS

So far as the directors are aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are not aware.

The directors have taken all the relevant steps that they ought to have taken in their duty as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

12th October 2006

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:

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

During the year under review the Remuneration Committee has met on 2 occasions (with all members present).

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, Mr R J Davies, Mr R MacEachrane from his appointment on 1st May 2006 and Mr W Shannon from his appointment on 1st September 2005. As reported earlier, Mr C G Toner stood down from membership of the Committee on 14th September 2005. Accordingly, all Committee members are now considered to be wholly independent with no financial interest, other than as shareholders, in the Committee's decisions. The Group Chief Executive attends meetings of the Committee as required but he is not present when matters affecting his own remuneration are considered.

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

Advice

Advice is provided to the Remuneration Committee by the Company Secretary, Mr L Dent, a practising solicitor. Mr Dent also acts as secretary to the Committee. In addition, Hay Group 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, George 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

As detailed in last year's remuneration report the Committee undertook a comprehensive review of executive remuneration during 2005 and a number of changes were implemented. Following on from that review no major changes have been made this year to structure or policy as the Committee believes that executive remuneration:

- is fully aligned with the performance of the Company and the returns received by shareholders;
- rewards the sustained growth and profitability of the business;
- conforms with market-leading best practice.

Remuneration Report

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 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.

The Remuneration Package for Executive Directors

The remuneration package for executive directors comprises:

- basic salary;
- annual performance related bonus;
- long-term share incentives;
- 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 rate for similar positions in large national housebuilding companies. Salaries were reviewed during the year by the Remuneration Committee and an increase of 3% was awarded, taking effect from 1st July 2006. This increase is the same as that received by other employees within the Company. Details are shown in the table below.

	£ per Annum	£ per Annum
D A Pretty	522,725	(1 July 2005: 507,000)
S J Boyes	309,000	(1 July 2005: 300,000)
C Fenton	309,000	(1 July 2005: 300,000)
G K Hester	309,000	(1 July 2005: 300,000)
M A Pain	309,000	(1 July 2005: 300,000)

Annual Profit Related Bonus

The annual bonus is dependent upon the achievement of financial objectives and key strategic measures for the business, set annually by the Group Board. For the attainment of 100% of target the amount of bonus will be 130% of basic salary. The maximum amount of bonus which can be received by any executive is 180% of basic salary, for the attainment of 125% of target. If actual performance falls below 85% of target then no bonus will be payable. Payment of the bonus is on a progressive scale with proportionately more being attainable for performance over and above target.

Remuneration Report

Any bonus earned above target is deferred on a compulsory basis, with an opportunity for additional voluntary deferral. The deferred amounts will be converted into shares, with an opportunity for additional matching shares to be received if further performance targets are met. These additional performance targets are the same as those used for the Long-Term Performance Plan, as detailed below.

No part of the annual bonus is pensionable.

Share Option Plan

In November 1997 the Company adopted the current Executive Share Option Plan (the "Plan"). The grant of share options under the Plan is at the discretion of the Remuneration Committee, taking into account individual performance and the overall performance of the Group. Options must be held for a minimum of three years from the date of grant before they can be exercised and lapse if not exercised within ten years. The exercise of 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 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.

No options have been granted under the Plan during this financial year. Options which have been granted in previous years remain unchanged and details of the terms of these outstanding awards are set out below.

Long-Term Performance Plan

The Long-Term Performance Plan (the "LTPP") was approved by shareholders at the Annual General Meeting held in November 2003 to take effect from 1st July 2003.

Awards under the LTPP are based on an annual allocation of notional ordinary shares equivalent in value to a maximum of 200% 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"). For awards made in 2003 and 2004 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 45% and 10% will vest if EPS growth exceeds RPI plus 30% with straight line vesting between these two points. The remaining 50% will vest subject to TSR performance originally 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.

Shareholders approved a change to these performance conditions at the 2005 AGM, and for awards made in 2005 and thereafter the targets are as follows. For the EPS element of the target, the full 50% will vest if EPS growth exceeds the RPI Index plus 18% and 10% will vest if EPS growth exceeds the RPI plus 9%; for performance in between the award will vest on a straightline basis.

For the TSR portion of the award a peer group has been formed comprising listed housebuilders. A vesting schedule will be drawn up by taking an average of the two highest and two lowest TSR figures for such companies over the performance period and creating a mid-point and an upper quartile from those two figures. The full 50% will vest if the Company's TSR is within the upper quartile and 10% will vest at the mid-point mark; for performance in between, the award will vest on a straightline basis.

The Remuneration Committee has reviewed these targets in the light of current circumstances and considers that the targets remain appropriate. Details of the maximum number of notional share awards made under the LTPP, subject to achieving the full performance targets described above, during the last year are set out below.

	Maximum number of shares subject to an award			
	2006*	2005	2004	Total
D A Pretty	135,333	72,815	78,510	286,658
H Walker	92,800	52,448	49,020	194,268
S J Boyes	77,493	43,706	43,137	164,336
C A Dearlove	72,693	41,084	44,118	157,895
C Fenton	77,493	43,706	34,314	155,513
P R Gieron	77,493	43,706	46,863	168,062
G K Hester	77,493	43,706	46,863	168,062
M A Pain	80,000	–	–	80,000
	690,798	341,171	342,825	1,374,794

* or date of retirement/resignation.

The 2004 award which vests this year will be 50% of the maximum as the minimum EPS target was not achieved.

Remuneration Report

Pension Benefits

All executive directors except Mr M A Pain 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 dependant's pension and an insured lump sum of four times pensionable salary on death in service. The final pension is calculated from the highest yearly average pensionable salary over three consecutive years during the last ten years of service.

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

Special arrangements are in place for Mr D A Pretty in order to secure his services until retirement. Based on calculations carried out by the actuary to the Group scheme Mr D A Pretty receives, with effect from 1st July 2003, a supplement equal to 50% of basic salary, as disclosed in the emoluments table below.

Following the introduction of the Lifetime Allowance Pension Rules on 6 April 2006 the Committee has agreed to make changes to the existing pension provision. With effect from 1st July 2006 all executive directors will have a choice of remaining in the defined benefit pension scheme as described above, or opting to leave this scheme and instead receive a cash supplement equal to 25% of their basic salary. This choice is at the discretion of the individual executive directors.

In lieu of membership of the defined benefit pension scheme Mr M A Pain receives a cash supplement equal to £75,000 per annum.

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
M A Pain	23.01.2006	01.03.2006	12 months

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.

Remuneration Report

With effect from 1st July 2006 the fee payable to Mr C G Toner as non-executive chairman was increased from £150,000 to £154,500 per annum.

With effect from 1st July 2006 the annual fee payable to non-executive directors was increased from £34,320 to £35,400, with an additional annual fee of £5,400 payable to those who also chair a Board Committee.

Mr A E Kilburn is paid an additional fee of £2,100 in respect of his role as Senior Independent Director.

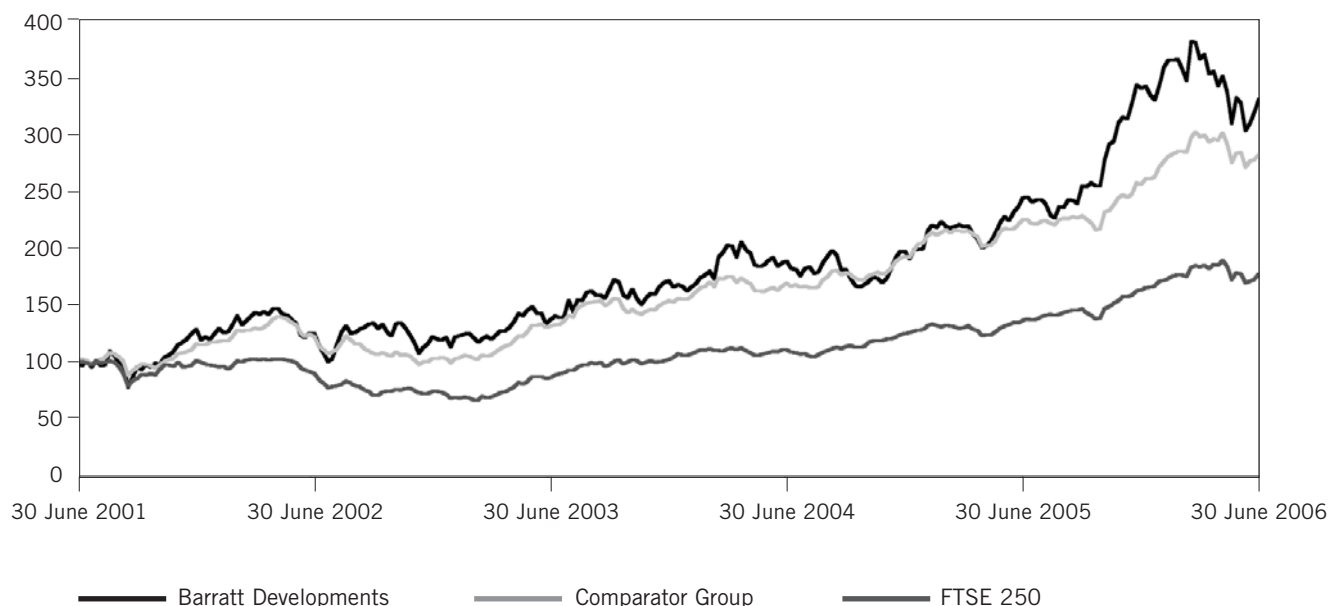
The Chairman and the non-executive directors are appointed by letter of engagement. They do not have service contracts and their appointments can be terminated (by the Board) at any time without notice and without compensation for loss of office. Under governance policies approved by the Board, non-executive 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 R J Davies	5th May 2004	5th May 2004
Mr A E Kilburn	18th November 2002	1st April 1998
Mr R MacEachrane	1st May 2006	1st May 2006
Mr M Pescod	1st October 2002	1st October 2001
Mr W Shannon	1st September 2005	1st September 2005

Total Shareholder Return Performance Graph

The following graph prepared with 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.

Total Shareholder Return - Rebased to 100 30/06/2001 - 30/06/2006



Remuneration Report

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

The following tables and accompanying notes constitute the auditable part of the Remuneration Report as defined in Part 3, Schedule 7a of the Companies Act 1985.

DIRECTORS EMOLUMENTS

	2006				Total £000	2005	2006
	Salary/Fee £000	Pension Compensation £000	Performance Related £000	Benefits £000		Total £000	Gain on exercise of share options £000
C G Toner	150	–	–	–	150	93	–
D A Pretty	508	254	668	26	1,456	1,198	749
H Walker	348	89	458	25	920	799	–
P H Ashworth	14	–	–	–	14	33	–
S J Boyes	295	45	389	20	749	680	–
R J Davies	34	–	–	–	34	33	–
C A Dearlove	281	56	359	25	721	670	567
C Fenton	295	78	389	25	787	685	93
P R Gieron	145	53	189	8	395	672	–
G K Hester	295	99	389	20	803	679	266
A E Kilburn	42	–	–	–	42	40	–
R MacEachrane	6	–	–	–	6	–	–
M A Pain	100	25	132	4	261	–	–
M Pescod	40	–	–	–	40	38	–
W Shannon	29	–	–	–	29	–	–
Total	2,582	699	2,973	153	6,407	5,620	1,675

Of the fee in respect of Mr R J Davies £28,600 was paid directly to Arriva plc., until April 2006 when he retired from Arriva plc.

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

Remuneration Report

DIRECTORS PENSION BENEFITS

	Increase in accrued pension over the year to 30.06.06 (net of inflation) (£)	Total pension accrued 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 30.06.06 (£)	Transfer value of accrued pension at 30.06.05 (£)	Transfer value of accrued pension at 30.06.06 (£)	Increase in transfer value over the year (£)
D A Pretty	6,926	56,540	75,968	8,230	748,036	904,812	136,169
H Walker	44,799	277,521	575,508	50,917	3,485,035	4,351,004	845,089
S J Boyes	33,702	197,474	213,444	38,007	1,225,460	1,607,305	364,409
C A Dearlove	(51,539)	134,772	(533,835)	(46,641)	2,065,017	3,603,306	1,521,933
C Fenton	2,553	22,256	10,605	3,071	153,218	188,750	26,421
G K Hester	2,547	17,146	25,150	2,931	195,312	246,755	42,332

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, 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 30.06.05	During the year		At 30.06.06*	Exercise Price p	Earliest Exercise	Latest Expiry
		Granted	Exercised				
D A Pretty	180,000	–	180,000	–	435	22.10.05	21.10.12
	180,000	–	–	180,000	545	10.10.06	09.10.13
	191,759	–	–	191,759	543	08.10.07	07.10.14
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
	138,122	–	–	138,122	543	08.10.07	07.10.14
S J Boyes	120,000	–	–	120,000	435	22.10.05	21.10.12
	100,917	–	–	100,917	545	10.10.06	09.10.13
	115,101	–	–	115,101	543	08.10.07	07.10.14
C A Dearlove	120,000	–	120,000	–	435	22.10.05	21.10.12
	103,211	–	–	103,211	545	10.10.06	09.10.13
	108,195	–	–	108,195	543	08.10.07	07.10.14
C Fenton	20,000	–	20,000	–	435	22.10.05	21.10.12
	80,275	–	–	80,275	545	10.10.06	09.10.13
	115,101	–	–	115,101	543	08.10.07	07.10.14
P R Gieron	120,000	–	–	120,000	435	22.10.05	21.10.12
	109,633	–	–	109,633	545	10.10.06	09.10.13
	115,101	–	–	115,101	543	08.10.07	07.10.14
G K Hester	120,000	–	60,000	60,000	435	22.10.05	21.10.12
	109,633	–	–	109,633	545	10.10.06	09.10.13
	115,101	–	–	115,101	543	08.10.07	07.10.14

* Or date of resignation if earlier.

The mid-market share price of the Company was 724.5p on 1st July 2005 and 948.0p as at 30th June 2006. The mid-market high and low share prices of the Company during the year were 1,104.0p and 671.5p respectively. No options of directors in office at 30th June 2006 lapsed unexercised during the year.

There were no changes in the interests of the directors shown above between 1st July 2006 and 27th September 2006.

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

12th October 2006

Consolidated Income Statement

for the year ended 30 June 2006

	Note	2006 £m	2005 £m
Continuing operations			
Revenue		2,431.4	2,484.7
Cost of sales		(1,940.6)	(2,008.0)
Gross profit		490.8	476.7
Net operating expenses		(81.2)	(86.3)
Profit on disposal of ground rents		–	15.9
Profit from operations	1	409.6	406.3
Finance income	2	2.0	2.8
Finance costs	2	(20.2)	(14.8)
Profit before tax		391.4	394.3
Tax expense	3	(116.4)	(112.2)
Profit for the year from continuing operations		275.0	282.1
Discontinued operations			
Profit for the year from discontinued operations	4	–	–
Profit for the year attributable to equity shareholders	20	275.0	282.1
Proposed/paid dividends per ordinary share			
Interim	5	10.34p	8.99p
Final	5	20.69p	17.99p
Earnings per share – continuing basis			
Basic	7	115.3p	119.9p
Diluted	7	113.3p	118.5p

Consolidated Statement of Recognised Income and Expense

	2006 £m	2005 £m
Profit for the year	275.0	282.1
Revaluation of available for sale assets	(4.5)	–
Tax on revaluation of available for sale assets	1.3	–
Total recognised income for the year	271.8	282.1

Balance Sheet

at 30 June 2006

	Notes	Group		Company	
		2006 £m	2005 £m	2006 £m	2005 £m
Assets					
Non-current assets					
Property, plant and equipment	8	12.1	11.3	0.4	0.4
Investments	9	–	–	46.5	65.4
Available for sale assets	10	31.3	–	–	–
Trade and other receivables	13	3.5	2.6	61.6	61.6
Deferred tax	11	40.4	37.6	29.4	29.6
		87.3	51.5	137.9	157.0
Current assets					
Inventories	12	2,644.4	2,390.6	–	–
Trade and other receivables	13	39.5	31.7	544.3	201.2
Cash and cash equivalents	14	43.3	285.1	1.2	248.3
		2,727.2	2,707.4	545.5	449.5
Total assets		2,814.5	2,758.9	683.4	606.5
Liabilities					
Current liabilities					
Loans and borrowings	15	5.9	4.8	49.1	3.3
Trade and other payables	16	988.3	1,182.7	18.2	23.2
Current tax liabilities		65.7	60.7	4.4	3.4
		1,059.9	1,248.2	71.7	29.9
Non-current liabilities					
Loans and borrowings	15	2.5	3.4	–	–
Trade and other payables	16	124.3	92.8	–	–
Retirement benefit obligations	18	87.9	88.9	87.9	88.9
		214.7	185.1	87.9	88.9
Total liabilities		1,274.6	1,433.3	159.6	118.8
Net assets		1,539.9	1,325.6	523.8	487.7
Equity					
Share capital	19	24.3	24.2	24.3	24.2
Share premium	20	202.3	197.9	202.3	197.9
Retained earnings	20	1,313.3	1,103.5	297.2	265.6
Total equity	20	1,539.9	1,325.6	523.8	487.7

Approved by the Board on 12th October 2006

C G Toner
M A Pain

} Directors

Cash Flow Statement

for the year ended 30 June 2006

	Notes	Group		Company	
		2006 £m	2005 £m	2006 £m	2005 £m
Net cash (outflow)/inflow from operating activities	21	(182.1)	47.0	(259.5)	62.7
Cash flows from investing activities					
Purchases of fixed assets, plant and equipment		(3.3)	(1.9)	(0.2)	(0.6)
Proceeds from sale of property, plant and equipment		2.0	2.6	–	–
Proceeds from disposal of subsidiary		–	83.2	–	–
Interest received		2.0	2.8	27.4	15.6
Net cash inflow from investing activities		0.7	86.7	27.2	15.0
Cash flows from financing activities					
Proceeds from issue of share capital	19	4.5	7.4	4.5	7.4
Disposal of own shares	20	2.4	1.7	2.4	1.7
Dividends paid		(67.5)	(55.6)	(67.5)	(55.6)
Loan drawdowns/(repayments)		0.2	(32.5)	45.8	(1.0)
Net cash outflow from financing activities		(60.4)	(79.0)	(14.8)	(47.5)
Net (decrease)/increase in cash and cash equivalents		(241.8)	54.7	(247.1)	30.2
Cash and cash equivalents at beginning of period		285.1	230.4	248.3	218.1
Cash and cash equivalents at end of period	14	43.3	285.1	1.2	248.3
Reconciliation of net cash flow to net cash/(debt)					
Net (decrease)/increase in cash and cash equivalents		(241.8)	54.7	(247.1)	30.2
Cash (inflow)/outflow from (increase)/decrease in debt		(0.2)	32.5	(45.8)	1.0
Movement in net cash in the period		(242.0)	87.2	(292.9)	31.2
Opening net cash		276.9	189.7	245.0	213.8
Closing net cash/(debt)		34.9	276.9	(47.9)	245.0
Net cash/(debt)					
Cash and cash equivalents	14	43.3	285.1	1.2	248.3
Loans and borrowings	15	(8.4)	(8.2)	(49.1)	(3.3)
Net cash/(debt)		34.9	276.9	(47.9)	245.0

The cashflows from discontinued activities have not been disclosed separately as they are not considered to be material.

Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 1985, applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale assets. A summary of the more important group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

IFRS 1 'First-time adoption of International Financial Reporting Standards' allows a number of exemptions from the full requirements of IFRS for those companies adopting IFRS for the first time. The Group has taken advantage of certain of these exemptions as follows:

The Group has elected not to apply IFRS 3 'Business Combinations' retrospectively to business combinations that were completed prior to 1 July 2004.

The Group has elected to apply IFRS 2 'Share-based payments' to all grants of equity instruments after 2 November 2002 that had not vested as at 1 January 2005.

The Group has elected to apply the corridor approach to IAS 19 'Employee benefits' and cumulative actuarial gains and losses were recognised within the net obligation as at 1 July 2004, the beginning of the first IFRS reporting period.

Basis of consolidation

The Group accounts include the results of the holding company and all its subsidiary undertakings made up to 30 June. The financial statements of subsidiary undertakings are consolidated from the date when control passed to the Group using the acquisition method of accounting and up to the date of disposal. All transactions with subsidiaries and inter-company profits or losses are eliminated on consolidation.

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

Revenue

Revenue comprises the total proceeds of building and development on legal completion excluding inter-company transactions and value added tax. The sale proceeds of part exchange houses are not included in turnover.

Segmental reporting

As all of the Group's operations are within the United Kingdom, which is one economic environment in the context of the Group's activities, there are no geographic segments to be disclosed. As all the Group's operations are in construction there are no business segments to be disclosed.

Dividends

Interim dividends are recognised as a liability in the financial statements at the time that they are paid, and final dividends are recognised at the time of agreement by the shareholders at the annual general meeting.

Inventories

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

Land held for development, including land in the course of development, is initially recorded at fair value. Where, through deferred purchase credit terms, the fair value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the income statement over the period of settlement. Due to the scale of the Group's developments, the Group has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments. In making these assessments there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and appropriateness of estimates made.

Property, plant and equipment

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

Freehold properties are depreciated on a straight-line basis over twenty five years. Plant is depreciated on a straight line basis over its expected useful life, which ranges from one to seven years.

Leases

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

Share-based payments

The Group issues equity-settled share-based payments to certain employees and has applied the requirements of IFRS 2 'Share-based payments'.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Accounting Policies

Taxation

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

The tax currently payable is based on the profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are tax deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

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.

Pensions

Defined contribution

The group operates a defined contribution pension schemes for certain employees. The Group's contributions to the schemes are charged against profits in the year in which the contributions are made.

Defined benefit

For the defined benefit scheme, the obligations are measured at discounted present value whilst plan assets are recorded at fair value. The calculation of the net obligation is performed by a qualified actuary. The operating and financing costs of these plans are recognised in the income statement; service costs are spread systematically over the lives of the employees and spread over a number of years, as an adjustment to the pension expense in the income statement, making use of the 10% corridor to reduce volatility. The pension assumptions made by the Group's actuary are stated in Note 18, these assumptions are based on estimated rates and should the actual rates differ the pension liability of the Group would change.

Financial instruments

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

The carrying amounts of the Group's financial assets and financial liabilities approximate to fair value.

Available for sale assets

These financial assets are initially recognised at the transaction price, and subsequently measured at each balance sheet date at fair value, with movements in the fair value of the assets being recognised directly in equity.

On disposal of these financial assets the difference between the carrying value and the consideration received (including any cumulative gain or loss previously recognised directly in equity) is included in the income statement.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value.

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

Cash and cash equivalents

Cash and cash equivalents includes cash and balances in bank accounts with no or short notice.

Bank borrowings

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

Finance charges are accounted for on an accrual basis to the income statement.

Impact of Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS6 - Exploration for and Evaluation of Mineral Resources
- IFRS7 - Financial Instruments: Disclosures
- IFRIC4 - Determining whether an Arrangement contains a lease
- IFRIC5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC6 - Liabilities arising from participating in a specific market – waste electrical and electronic and electronic equipment.
- IFRIC7 - Applying the restatement approach under IAS29 Financial Reporting in Hyperinflationary Economics.

The Directors expect that, with the exception of the additional financial instruments disclosures required by IFRS7 'Financial Instruments: Disclosures', the adoption of these Standards and Interpretations in future periods will not have any significant impact on the financial statements of the Group or Company.

Notes to the Accounts

1. PROFIT FROM OPERATIONS

	2006 £m	2005 £m
After charging:		
Depreciation – tangible owned fixed assets	2.1	1.7
Operating lease charges – hire of plant, machinery and vehicles	16.9	17.8
– other	3.3	3.2
Auditors' remuneration – audit services	0.2	0.2
(company: £19,500 – (2005 £19,500))		

Auditors' remuneration for non-audit services in the year amounted to £281,952 (company £279,952), (2005 £478,208 (company: £364,508)). The fees for non-audit services comprised £35,050 for IFRS advice, £135,737 on advisory work on the structure of new IT systems, and the balance of £111,165 related to normal taxation compliance work. 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 34.

2. NET FINANCE COSTS

	2006 £m	2005 £m
Finance income	(2.0)	(2.8)
Interest on bank overdrafts and loans	10.7	7.1
Imputed interest on deferred term land payables	9.5	7.7
Finance cost	20.2	14.8
Net financing costs	18.2	12.0

3. TAX EXPENSE

ANALYSIS OF CHARGE IN YEAR	2006 £m	2005 £m
Current tax:		
UK corporation tax on profits of the period	117.1	116.9
Adjustment in respect of previous periods	0.8	(0.1)
Overseas tax	–	0.3
	117.9	117.1
Deferred tax:		
Origination and reversal of timing differences (Note 11)	(1.5)	(4.9)
	116.4	112.2

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% (2005 30%).

The differences are explained below:

	2006 £m	2005 £m
Profit before tax	391.4	394.3
Profit before tax multiplied by rate of corporation tax in the UK of 30% (2005 30%)	117.4	118.3
Effects of:		
Expenses not deductible for tax purposes	0.7	0.6
Additional tax relief for land remediation costs	(1.6)	(1.9)
Benefit of tax losses	–	(1.3)
Employee share schemes relief	(0.9)	(2.2)
Adjustment to charge in respect of previous periods	0.8	(1.8)
Higher rate of overseas tax	–	0.5
	116.4	112.2

Notes to the Accounts

4. DISCONTINUED OPERATIONS

On 30 August 2004 the group disposed of its small Southern California housebuilding operation at no profit or loss. The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	2006	2005
	£m	£m
Revenue	–	28.0
Expenses		(27.6)
Operating profit	–	0.4
Finance costs	–	(0.4)
Pre-tax profit	–	–
Taxation	–	–
Post tax results from discontinued operations	–	–

During the year ended 30 June 2005 the operation contributed £0.4m to the Group's net operating cash flows.

5. DIVIDENDS

	2006	2005
	£m	£m
Prior year final dividend 17.99p per share (2005 14.68p)	42.8	35.3
Interim dividend 10.34p per share (2005 8.99p)	24.7	21.1
	67.5	56.4

	2006	2005
	£m	£m
Proposed final dividend for the year ended 30 June 2006 of 20.69p (2005 17.99p) per share	49.5	42.8

The proposed final dividend has not been included as a liability as at 30 June 2006.

6. KEY MANAGEMENT AND EMPLOYEES

Key management personnel, as disclosed under IAS 24 (Related Party Disclosures), have been identified as the Board of directors. Detailed disclosures of Directors' individual remuneration, pension entitlements and share options, for those Directors who served during the year, are given in the audited sections of the Remuneration Report on pages 29 to 36 which form part of these financial statements. Summary key management remuneration is as follows:

	2006	2005
	£m	£m
Salaries and fees (including pension compensation)	3.3	2.4
Performance bonus	3.0	3.1
Benefits	0.2	0.1
Pension costs	0.2	0.4
Share-based payments	0.5	1.1
	7.2	7.1

Notes to the Accounts

6. KEY MANAGEMENT AND EMPLOYEES (continued)

Staff costs, including directors, comprise:

	Group		Company	
	2006	2005	2006	2005
Average staff numbers (excluding sub-contractors)	4,854	4,829	57	47
Personnel expenses	£m	£m	£m	£m
Wages and salaries	164.2	147.0	6.0	4.8
Social security	17.2	15.7	0.8	0.6
Pension costs	9.6	7.8	0.5	0.4
Share based payments	3.1	3.5	-	-
	194.1	174.0	7.3	5.8

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders of £275.0m (2005 £282.1m) by the weighted average number of ordinary shares in issue, excluding those held by the Employee Benefit Trust which are treated as cancelled, which were 238.5m (2005 235.2m).

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the accounting period, giving a figure of 242.8m (2005 238.1m)

	2006	2005
Basic earnings per share (pence)		
Continuing activities	115.3	119.9
Discontinued activities	-	-
Total	115.3	119.9
Adjusted basic earnings per share	115.3	115.2
Diluted earnings per share (pence)		
Continuing activities	113.3	118.5
Discontinued activities	-	-
Total	113.3	118.5
Adjusted diluted earnings per share	113.3	113.8

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

	2006	2005
	£m	£m
Earnings for basic and diluted earnings per share	275.0	282.1
Less profit on disposal of ground rents	-	(15.9)
Add tax effect on above item	-	4.8
Earnings for adjusted basic and adjusted diluted earnings per share	275.0	271.0

The adjustment to earnings is made to reflect what the Group considers to be underlying profit.

Notes to the Accounts

8. PROPERTY, PLANT AND EQUIPMENT

	Group			Company
	Freehold property £m	Plant £m	Total £m	Plant Total £m
Cost:				
At 1 July 2004	6.0	10.8	16.8	–
Additions	0.2	1.7	1.9	0.6
Disposals	(0.7)	(0.5)	(1.2)	–
At 30 June 2005	5.5	12.0	17.5	0.6
Additions	0.1	3.2	3.3	0.2
Disposals	(0.4)	(0.5)	(0.9)	–
At 30 June 2006	5.2	14.7	19.9	0.8
Depreciation:				
At 1 July 2004	–	4.9	4.9	–
Charge for the year	–	1.7	1.7	0.2
Disposals	–	(0.4)	(0.4)	–
At 30 June 2005	–	6.2	6.2	0.2
Charge for the year	–	2.1	2.1	0.2
Disposals	–	(0.5)	(0.5)	–
At 30 June 2006	–	7.8	7.8	0.4
Net book value:				
At 30 June 2005	5.5	5.8	11.3	0.4
At 30 June 2006	5.2	6.9	12.1	0.4

9. INVESTMENTS

	Company Total £m
At 1 July 2004	61.9
IFRS 2 Charge	3.5
At 30 June 2005	65.4
IFRS 2 Charge	3.1
Fair value adjustment	(22.0)
At 30 June 2006	46.5

The investments of the company have been impaired following a fall in the net assets of a subsidiary below the cost of the investment. The revised carrying value of the investment has been based on the fair value of the net assets of the subsidiary.

The principal subsidiary undertakings are:

Barratt Homes Limited KingsOak Homes Limited Barratt Construction Limited Barratt Commercial Limited	}	All of the subsidiary undertakings' principal activities are housebuilding and development. All are registered and operate in England and Wales except Barratt Construction Limited which is registered and operates in Scotland. All of the shares are wholly owned by the parent.
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A full list of subsidiary undertakings is available on request from the company's registered office.

10. AVAILABLE FOR SALE ASSETS

	Group	
	2006 £m	2005 £m
Available for sale assets	31.3	–

Available for sale assets principally comprise of interest free loans granted as part of sales transactions that are secured by way of a legal charge on the respective property. These loans are held at their present value of expected future cash flows taking into account the estimated market value of the property at the estimated time of repayment. Further disclosures relating to financial instruments are set out in Note 17.

Notes to the Accounts

11. DEFERRED TAX

Deferred tax asset provided for comprise of:

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Accelerated capital allowances	-	0.2	-	-
Short term timing differences	40.4	37.4	29.4	29.6
	40.4	37.6	29.4	29.6
Deferred taxation				
Analysis of movement in the period				
At 1 July 2005	37.6	35.5	29.6	28.4
Charged to income statement	1.5	4.9	(0.2)	1.2
Transfer on disposal of US subsidiary undertaking	-	(2.8)	-	-
Tax on revaluation of available for sale assets	1.3	-	-	-
At 30 June 2006	40.4	37.6	29.4	29.6

12. INVENTORIES

	Group	
	2006 £m	2005 £m
Land held for development	1,997.3	1,737.3
Construction work in progress	603.8	611.2
Part exchange properties	35.6	34.9
Other inventories	7.7	7.2
	2,644.4	2,390.6

The Directors consider all inventory to be current in nature. The operational cycle is such that the majority of inventory will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of issues such as consumer demand and planning permission delays. The value of inventories expensed in 2006 and included in cost of sales was £1,740.7m (2005 £1,832.1m).

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Non-current assets:				
Trade receivables	-	1.0	-	-
Amounts due from subsidiary undertakings	-	-	61.6	61.6
Other receivables	3.5	1.6	-	-
	3.5	2.6	61.6	61.6
Current assets:				
Trade receivables	12.5	8.5	0.8	-
Amounts due from subsidiary undertakings	-	-	542.1	200.7
Other receivables	21.4	19.3	-	-
Prepayments and accrued income	5.6	3.9	1.4	0.5
	39.5	31.7	544.3	201.2

Further disclosures relating to financial instruments are set out in Note 17.

Notes to the Accounts

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Cash at bank and in hand	43.3	285.1	1.2	248.3

Further disclosures relating to financial instruments are set out in Note 17.

15. LOANS AND BORROWINGS

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Current - Bank loans	5.9	4.8	49.1	3.3
Non-current - Bank loans	2.5	3.4	-	-
Total - Bank loans	8.4	8.2	49.1	3.3

Further disclosures relating to financial liabilities are set out in Note 17.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Current liabilities:				
Trade payables (including land payables)	698.6	779.7	2.1	1.6
Accruals and deferred income	198.9	301.4	16.1	21.6
Other tax and social security	6.8	8.3	-	-
Other payables	84.0	93.3	-	-
	988.3	1,182.7	18.2	23.2
Non-current liabilities:				
Trade payables (including land payables)	124.1	92.7	-	-
Other payables	0.2	0.1	-	-
	124.3	92.8	-	-

The Group holds a £1.5m (2005 £1.4m) National Insurance accrual relating to share option transactions.

Total payables include £76.1m (2005 £70.1m), secured by legal charges on certain assets.

Further disclosures relating to financial instruments are set out in Note 17.

17. FINANCIAL INSTRUMENTS

The Group's financial assets comprise cash and cash equivalents, trade and other receivables and available for sale financial assets. The Group's financial liabilities comprise loans and borrowings, trade and other payables (including land payables).

The Board reviews and agrees policies for treasury management, which have remained unchanged throughout the year. 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.

All of the operations of the Group are in sterling and hence the Group has no exposure to currency risk.

Notes to the Accounts

17. FINANCIAL INSTRUMENTS continued

Financial assets

The Group's financial assets can be summarised as follows:

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Non-current				
Trade and other receivables	3.5	2.6	–	–
Available for sale financial assets	31.3	–	–	–
	34.8	2.6	–	–
Current				
Trade receivables	12.5	8.5	0.8	–
Other receivables	21.4	19.3	–	–
Cash at bank and in hand	43.3	285.1	1.2	248.3
	77.2	312.9	2.0	248.3

Available for sale financial assets

Available for sale financial assets are non-interest bearing, and the group has no concentration of credit risk, with exposure spread over a number of customers and the amounts secured over a number of freehold and leasehold properties.

The directors consider that the carrying value of the available for sale assets is equal to their fair value as the time value of money is taken into account when calculating their carrying value.

Trade and other receivables

Trade and other receivables are non-interest bearing, and the group has no concentration of credit risk, with exposure spread over a number of customers.

The carrying value of trade and other receivables are stated after an allowance for doubtful receivables has been made. The allowance has been estimated by Group management based upon either specific knowledge or past experience of their assessment of the current economic environment.

The directors consider that the carrying value of trade and other receivables approximates to their fair value.

Cash and cash equivalents

Cash at bank and in hand is held at floating interest rates linked to UK bank base rate.

Financial liabilities

The Groups financial liabilities can be summarised as follows:

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Current				
Loans and borrowings	5.9	4.8	49.1	3.3
Trade payables	698.6	779.7	2.1	1.6
Other payables	84.0	93.3	–	–
	788.5	877.8	51.2	4.9
Non-current				
Loans and borrowings	2.5	3.4	–	–
Other non-current liabilities	124.3	92.8	–	–
	126.8	96.2	–	–

Loans and borrowing

Loans and borrowings are unsecured, with floating interest rates linked to UK bank base rate. The directors consider that the carrying value of the loans and borrowings approximate to fair value as the interest rate on the loans and borrowing is linked to UK bank base rate.

Trade and other payables

The directors consider that the carrying value of the trade and other payables approximates to fair value as a result of the short maturity period of the amounts as at the year end.

Notes to the Accounts

17. FINANCIAL INSTRUMENTS continued

Other non-current liabilities

Other non-current liabilities are unsecured and non-interest bearing. The directors consider that the carrying value of the other non-current liabilities approximates to fair value as they are carried at their discounted present value of expected future cash flows using the effective interest rate method.

Maturity of non-current financial liabilities

The maturity profile of the Group's non-current financial liabilities is as follows:

	2006	2005
	£m	£m
<i>Financial liabilities – non-current</i>		
In more than one year but not more than two years	103.4	88.8
In more than two years but not more than five years	14.2	6.5
In more than five years	9.2	0.9
	126.8	96.2

The undrawn committed borrowing facilities are: £62.8m (2005 £69.4m) expiring in one year or less, £nil (2005 £nil) expiring in more than one year but not more than two years, £400.0m (2005 £400.0m) 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 30 June 2006 and 30 June 2005.

18. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a defined contribution and defined benefit scheme.

a) DEFINED CONTRIBUTION SCHEME

The Group now operates a defined contribution scheme for employees. The service cost of this scheme for the period was £1.8m (2005 £1.2m). At the balance sheet date there were outstanding contributions of £0.2m (2005 £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 30 November 2004 and updated to 30 June 2006 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 (2005 £0.7m) which were paid on or before the due date.

Following changes introduced by the Finance Act with effect from April 2006, the Barratt Group Pension and Life Assurance Scheme has implemented revised terms for members exchanging pension at retirement date for a tax free lump sum. The Directors consider that, with less than 3 months of experience since A-Day, insufficient time has elapsed as at 30 June 2006 to reliably estimate the changes in the commutation behaviour of scheme members in the longer term. Accordingly, no gain or loss has been recognised in the period.

The main assumptions, fair value of assets and present value of obligations of the defined benefit scheme are set out below.

Movements in the net liability for defined benefit obligations recognised in the balance sheet.

	2006	2005
	£m	£m
Net liability for defined benefit obligations at 1 July	88.9	87.8
Contributions received	(12.7)	(9.3)
Expense recognised in the income statement	11.7	10.4
Net liability for defined benefit obligations at 30 June	87.9	88.9
Change in benefit obligation		
Benefit obligation at beginning of year	223.9	179.7
Current service cost	7.8	6.6
Interest cost	11.0	10.2
Plan participants' contributions	2.0	2.2
Actuarial (gain)/loss	(8.7)	28.3
Benefits paid from plan/company	(3.6)	(2.5)
Premiums paid	(0.6)	(0.6)
Benefit obligation at end of year	231.8	223.9

Notes to the Accounts

18. RETIREMENT BENEFIT OBLIGATIONS continued

	2006 £m	2005 £m
Change in plan assets		
Fair value of plan assets at beginning of year	115.5	91.9
Expected return on plan assets	7.1	6.4
Actuarial gain/(loss) on plan assets	8.0	8.8
Employer contributions	12.7	9.3
Member contributions	2.0	2.2
Benefits paid from plan/company	(3.6)	(2.5)
Premiums paid	(0.6)	(0.6)
Fair value of plan assets at end of year	141.1	115.5
Amounts recognised in the balance sheet		
<i>Plans that are wholly unfunded and plans that are wholly or partly funded</i>		
Present value of funded obligations	231.8	223.9
Fair value of plan assets	(141.1)	(115.5)
Deficit for funded plans	90.7	108.4
Unrecognised net actuarial loss	(2.8)	(19.5)
Net liability – amounts in balance sheet	87.9	88.9
Components of pension cost		
<i>Amounts recognised in income statement</i>		
Current service cost	7.8	6.6
Interest cost	11.0	10.2
Expected return on plan assets	(7.1)	(6.4)
Total pension cost recognised in net operating expenses in Consolidated Income Statement	11.7	10.4
<i>Actual return on assets</i>		
Actual return on plan assets	15.1	15.2
	2006	2005
Principal actuarial assumptions		
<i>Weighted average assumptions to determine benefit obligations</i>		
Discount rate	5.25%	4.95%
Rate of compensation increase	5.00%	4.75%
Rate of price inflation	3.00%	2.75%
<i>Weighted average assumptions to determine net cost</i>		
Discount rate	4.95%	5.70%
Expected long-term rate of return on plan assets during financial year	5.87%	6.62%
Rate of compensation increase	4.75%	5.00%
Rate of price inflation	2.75%	3.00%

The following table illustrates the life expectancy for an average member on reaching age 65, according to the mortality assumptions used to calculate the pension liabilities.

Average life expectancy for mortality tables used to determine benefit obligation for:

	Male	Female
Retired member (life expectancy at age 65)	21.3	24.2
Non-retired member (life expectancy at age 65)	23.1	25.9

Notes to the Accounts

18. RETIREMENT BENEFIT OBLIGATIONS continued

Plan assets	2006		2005	
	Percentage of Plan Assets	Expected Return on Plan Assets	Percentage of Plan Assets	Expected Return on Plan Assets
<i>Asset Category</i>				
Equity Securities	60.5%	7.06%	60.0%	6.75%
Debt Securities	39.5%	4.86%	39.2%	4.55%
Other	–	–	0.8%	4.00%
Total	100.0%	6.19%	100.0%	5.87%

19. SHARE CAPITAL

	2006 £m	2005 £m
Authorised 300,000,000 ordinary shares of 10p each	30.0	30.0
Allotted and issued ordinary shares of 10p each		
Fully paid – 243,099,792 ordinary shares (2005 241,972,144)	24.3	24.2

The issued share capital of the company was increased during the year to 243,099,792 ordinary shares of 10p each by the issue of 1,127,648 (2005 2,174,292) ordinary shares of 10p each for a cash consideration of £4,596,852 (2005 £7,388,979) in satisfaction of options duly exercised in accordance with the rules of the share option plans.

As at 30 June 2006 the following options issued in accordance with the rules of the 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 plan					
11.12.97	222p	–	90,000	–	10.12.07
15.10.98	205p	–	69,000	–	14.10.08
30.09.99	275p	–	202,000	–	29.09.09
27.10.00	273p	–	212,952	–	26.10.10
01.11.01	330p	–	221,664	–	31.10.11
22.10.02	435p	180,000	525,495	–	21.10.12
10.10.03	545p	470,825	1,490,524	–	09.10.13
08.10.04	543p	537,062	1,792,447	–	07.10.14
b) Employee share option plan					
10.04.00	240p	–	–	15,500	09.04.10
29.03.01	315p	–	–	44,500	28.03.11
25.04.02	470p	–	–	91,000	24.04.12
14.05.04	590p	–	–	1,116,000	13.05.14

Notes to the Accounts

19. SHARE CAPITAL continued

The number and weighted average exercise prices of the executive share option scheme is as follows:

	Weighted average exercise price (pence) 2006	Number of options 2006	Weighted average exercise price (pence) 2005	Number of options 2005
Outstanding at the beginning of the period	–	–	193	94,930
Exercised during the period	–	–	193	(94,930)
Outstanding at the end of the period	–	–	–	–
Exercisable at the end of the period	–	–	–	–

The number and weighted average exercise prices of the executive share option plan is as follows:

	Weighted average exercise price (pence) 2006	Number of options 2006	Weighted average exercise price (pence) 2005	Number of options 2005
Outstanding at the beginning of the period	480	7,464,300	399	7,857,182
Forfeited during the period	538	(226,769)	517	(373,000)
Exercised during the period	416	(1,445,562)	300	(2,688,362)
Granted during the period	–	–	543	2,668,480
Outstanding at the end of the period	494	5,791,969	480	7,464,300
Exercisable at the end of the period	352	1,501,111	277	1,023,972

The number and weighted average exercise prices of the employee share option plan is as follows:

	Weighted average exercise price (pence) 2006	Number of options 2006	Weighted average exercise price (pence) 2005	Number of options 2005
Outstanding at the beginning of the period	554	1,709,500	519	3,199,500
Forfeited during the period	587	(212,500)	546	(542,000)
Exercised during the period	449	(230,000)	439	(948,000)
Outstanding at the end of the period	567	1,267,000	554	1,709,500
Exercisable at the end of the period	401	151,000	421	365,000

The number and weighted average exercise prices of the Long-Term Performance Plan is as follows:

	Weighted average exercise price (pence) 2006	Number of options 2006	Weighted average exercise price (pence) 2005	Number of options 2005
Outstanding at the beginning of the period	541	683,996	510	342,825
Granted during the period	750	1,040,888	572	341,171
Outstanding at the end of the period	667	1,724,884	541	683,996
Exercisable at the end of the period	–	–	–	–

Notes to the Accounts

19. SHARE CAPITAL continued

The weighted average share price at the date of exercise of share options exercised during the period was 886.3p (2005 598.3p).

In November 1997 the Company adopted the current Executive Share Option Plan (the "Plan"). The grant of share options under the Plan is at the discretion of the Remuneration Committee, taking into account individual performance and the overall performance of the Group. Options must be held for a minimum of three years from the date of grant before they can be exercised and lapse if not exercised within ten years. The exercise of 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 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.

The Long-Term Performance Plan (the "LTPP") was approved by shareholders at the Annual General Meeting held in November 2003 to take effect from 1st July 2003. Further details relating to the LTPP are set out in the Remuneration Report.

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

The Barratt Developments PLC Employee Benefit Trust (EBT) holds 3,865,390 (2005: 4,414,640) ordinary shares in the Company. The cost of the shares, at an average of 346.0 pence per share, was £13,356,211 (2005: £15,809,386). The market value of the shares held by the EBT at 30 June 2005, at 948.0 pence per share, was £36,643,897 (2005: £31,630,896). The shares are held in the EBT for the purpose of satisfying options that have been granted under the Barratt Developments PLC Executive and Employee Share Option Plans. These ordinary shares do not rank for dividend and do not count in the calculation of the weighted average number of shares used to calculate earnings per share until such time as they are vested to the relevant employee.

20. RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY

Group statement of changes in equity for the year ended 30 June 2006

	Attributable to equity holders of the parent					
	Share Capital £m	Share Premium £m	Share based payment £m	Retained Earnings £m	Own Shares £m	Total £m
Balance at 30 June 2005	24.2	197.9	4.7	1,114.6	(15.8)	1,325.6
Profit for the year	–	–	–	275.0	–	275.0
Disposal of own shares	–	–	–	–	2.4	2.4
Dividends	–	–	–	(67.5)	–	(67.5)
Issue of share capital	0.1	4.4	–	–	–	4.5
Equity share options issued	–	–	3.1	–	–	3.1
Revaluation of available for sale assets	–	–	–	(4.5)	–	(4.5)
Tax on available for sale assets	–	–	–	1.3	–	1.3
Balance at 30 June 2006	24.3	202.3	7.8	1,318.9	(13.4)	1,539.9

Notes to the Accounts

20. RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY continued

Group statement of changes in equity for the year ended 30 June 2005

	Attributable to equity holders of the parent					
	Share Capital £m	Share Premium £m	Share based payment £m	Retained Earnings £m	Own Shares £m	Total £m
Balance at 30 June 2004	24.0	190.7	1.2	888.9	(17.5)	1,087.3
Profit for the year	–	–	–	282.1	–	282.1
Disposal of own shares	–	–	–	–	1.7	1.7
Dividends	–	–	–	(56.4)	–	(56.4)
Issue of share capital	0.2	7.2	–	–	–	7.4
Equity share options issued	–	–	3.5	–	–	3.5
Balance at 30 June 2005	24.2	197.9	4.7	1,114.6	(15.8)	1,325.6

Company statement of changes in equity for the year ended 30 June 2006

	Attributable to equity holders of the parent					
	Share Capital £m	Share Premium £m	Share based payment £m	Retained Earnings £m	Own Shares £m	Total £m
Balance at 30 June 2005	24.2	197.9	4.7	276.7	(15.8)	487.7
Profit for the year	–	–	–	93.6	–	93.6
Disposal of own shares	–	–	–	–	2.4	2.4
Dividends	–	–	–	(67.5)	–	(67.5)
Issue of share capital	0.1	4.4	–	–	–	4.5
Equity share options issued	–	–	3.1	–	–	3.1
Balance at 30 June 2006	24.3	202.3	7.8	302.8	(13.4)	523.8

Company statement of changes in equity for the year ended 30 June 2005

	Attributable to equity holders of the parent					
	Share Capital £m	Share Premium £m	Share based payment £m	Retained Earnings £m	Own Shares £m	Total £m
Balance at 30 June 2004	24.0	190.7	1.2	215.2	(17.5)	413.6
Profit for the year	–	–	–	117.9	–	117.9
Disposal of own shares	–	–	–	–	1.7	1.7
Dividends	–	–	–	(56.4)	–	(56.4)
Issue of share capital	0.2	7.2	–	–	–	7.4
Equity share options issued	–	–	3.5	–	–	3.5
Balance at 30 June 2005	24.2	197.9	4.7	276.7	(15.8)	487.7

In accordance with the provisions of section 230 of the Companies Act 1985, a separate income statement for the parent company is not presented.

Notes to the Accounts

21. NOTES TO THE CASHFLOW STATEMENT

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Cash flows from operating activities				
Profit from continuing and discontinued operations	275.0	282.1	93.6	117.9
Depreciation and non cash items	(10.9)	6.5	22.2	(0.6)
Taxation	116.4	112.2	8.3	3.4
Finance income	(2.0)	(2.8)	(27.4)	(15.6)
Finance costs	20.2	14.8	9.0	4.8
Movements in working capital				
Increase in inventories	(253.3)	(528.7)	-	-
(Increase)/decrease in trade and other receivables	(8.7)	(4.4)	(343.1)	45.6
(Decrease)/increase in trade and other payables	(163.9)	288.6	(6.0)	(84.7)
Increase in available for sale assets	(31.3)	-	-	-
Interest paid	(10.7)	(7.5)	(9.0)	(4.8)
Tax paid	(112.9)	(113.8)	(7.1)	(3.3)
Net cash (outflow)/inflow from operating activities	(182.1)	47.0	(259.5)	62.7

22. OPERATING LEASE OBLIGATIONS

	Group			
	2006		2005	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Annual commitments under non-cancellable operating leases which expire:				
Within one year	0.3	1.8	0.3	1.6
Between two and five years	0.6	4.3	0.5	3.4
In five years or more	1.4	0.9	1.6	0.8
	2.3	7.0	2.4	5.8

23. CONTINGENT LIABILITIES

The company has guaranteed certain bank borrowings of its subsidiary undertakings, amounting to £8.4m at the year end (2005 £8.2m).

24. RELATED PARTY TRANSACTIONS

The company has entered into transactions with its subsidiary undertakings in respect of funding and group services (that include management accounting and audit, sales and marketing, IT, company secretarial, architects and purchasing). Recharges are made to the subsidiaries based on utilisation of these services.

The total amount outstanding from the subsidiaries to the company as at 30 June 2006 was £603.7m (2005 £262.3m).

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 six of the thirty three 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 period ended 17 November 2005 was £325,013 (2005 £977,495) of which £17,943 (2005 £136,680) was outstanding at the period end.

Notes to the Accounts

25. TRANSITION TO IFRS

This is the first year that the Group has presented its Financial Statements under IFRS. The last Financial Statements under UK GAAP were for the year ended 30 June 2005 and the date of transition to IFRS was therefore 1 July 2004. The following disclosure has been provided to enable a comparison of the 2005 results and position with those published in the previous financial year. Additional reconciliations and information from UK GAAP to IFRS have already been published and can be found on the Group's website at www.barratt-investor-relations.co.uk.

GROUP RECONCILIATION OF PROFIT FOR THE YEAR ENDED 30 JUNE 2005

	UK GAAP	CHANGES IN ACCOUNTING UNDER:						IFRS
		IFRS 2	IFRS 5	IAS 19		IAS 39		
			Presentation of Share discontinued options operations	Share options Er's NI	Reverse SSAP24 adjustment	Pension accrual and deferred tax adjustment	Land creditors	
	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations								
Revenue	2,512.7	–	(28.0)	–	–	–	–	2,484.7
Cost of sales	(2,036.8)	–	26.9	–	–	–	1.9	(2,008.0)
Gross profit	475.9	–	(1.1)	–	–	–	1.9	476.7
Net operating expenses	(80.5)	(3.5)	0.7	(0.3)	(1.6)	(1.1)	–	(86.3)
Profit on disposal of ground rents	15.9	–	–	–	–	–	–	15.9
Profit from operations	411.3	(3.5)	(0.4)	(0.3)	(1.6)	(1.1)	1.9	406.3
Finance income	2.8	–	–	–	–	–	–	2.8
Finance costs	(7.5)	–	0.4	–	–	–	(7.7)	(14.8)
Profit before tax	406.6	(3.5)	0.0	(0.3)	(1.6)	(1.1)	(5.8)	394.3
Tax expense	(115.9)	1.1	–	0.1	0.5	0.3	1.7	(112.2)
Profit for the year from continuing operations	290.7	(2.4)	0.0	(0.2)	(1.1)	(0.8)	(4.1)	282.1
Discontinued operations								
Profit from discontinued operations	–	–	0.0	–	–	–	–	0.0
Profit for the year	290.7	(2.4)	0.0	(0.2)	(1.1)	(0.8)	(4.1)	282.1

Notes to the Accounts

25. TRANSITION TO IFRS continued

GROUP RECONCILIATION OF EQUITY AS AT YEAR ENDED 30 JUNE 2005

	UK GAAP	CHANGES IN ACCOUNTING UNDER:					IFRS	
		IFRS 2	IAS 10	IAS 19			IAS 39	
	£m	Share options £m	Dividends £m	Share options Er's NI £m	Reverse SSAP24 adjustment £m	Pension accrual and deferred tax adjustment £m	Land creditors £m	£m
Assets								
Non-current assets								
Property, plant and equipment	11.3	-	-	-	-	-	-	11.3
Trade and other receivables	2.6	-	-	-	-	-	-	2.6
Deferred tax	6.0	1.4	-	0.4	(1.1)	26.6	4.3	37.6
	19.9	1.4	-	0.4	(1.1)	26.6	4.3	51.5
Current assets								
Inventories	2,410.2	-	-	-	-	-	(19.6)	2,390.6
Trade and other receivables	31.7	-	-	-	-	-	-	31.7
Cash and cash equivalent	285.1	-	-	-	-	-	-	285.1
	2,727.0	-	-	-	-	-	(19.6)	2,707.4
Total assets	2,746.9	1.4	-	0.4	(1.1)	26.6	(15.3)	2,758.9
Liabilities								
Current liabilities								
Loans and borrowings	4.8	-	-	-	-	-	-	4.8
Trade and other payables	1,227.9	-	(42.8)	1.4	(3.8)	-	-	1,182.7
Current tax liabilities	60.7	-	-	-	-	-	-	60.7
	1,293.4	-	(42.8)	1.4	(3.8)	-	-	1,248.2
Non-current liabilities								
Loans and borrowings	3.4	-	-	-	-	-	-	3.4
Trade and other payables	98.1	-	-	-	-	-	(5.3)	92.8
Retirement benefit obligations	-	-	-	-	-	88.9	-	88.9
	101.5	-	-	-	-	88.9	(5.3)	185.1
Total liabilities	1,394.9	-	(42.8)	1.4	(3.8)	88.9	(5.3)	1,433.3
Net assets	1,352.0	1.4	42.8	(1.0)	2.7	(62.3)	(10.0)	1,325.6
Equity								
Share capital	24.2	-	-	-	-	-	-	24.2
Share premium	197.9	-	-	-	-	-	-	197.9
Share based payment reserve	-	4.7	-	-	-	-	-	4.7
Retained earnings	1,129.9	(3.3)	42.8	(1.0)	2.7	(62.3)	(10.0)	1,098.8
Total equity	1,352.0	1.4	42.8	(1.0)	2.7	(62.3)	(10.0)	1,325.6

Notes to the Accounts

25. TRANSITION TO IFRS continued

GROUP RECONCILIATION OF EQUITY AS AT 1 JULY 2004 (Transition date)

	UK GAAP	CHANGES IN ACCOUNTING UNDER:					IFRS	
		IFRS 2	IAS 10	IAS 19		IAS 39		
	£m	Share options £m	Dividends £m	Share options Er's NI £m	Reverse SSAP24 adjustment £m	Pension accrual and deferred tax adjustment £m	Land creditors £m	£m
Assets								
Non-current assets								
Property, plant and equipment	11.9	-	-	-	-	-	-	11.9
Trade and other receivables	1.3	-	-	-	-	-	-	1.3
Deferred tax	7.6	0.3	-	0.3	(1.6)	26.3	2.6	35.5
	20.8	0.3	-	0.3	(1.6)	26.3	2.6	48.7
Current assets								
Inventories	1,986.7	-	-	-	-	-	(17.2)	1,969.5
Trade and other receivables	34.0	-	-	-	-	-	-	34.0
Cash and cash equivalent	230.4	-	-	-	-	-	-	230.4
	2,251.1	-	-	-	-	-	(17.2)	2,233.9
Total assets	2,271.9	0.3	-	0.3	(1.6)	26.3	(14.6)	2,282.6
Liabilities								
Current liabilities								
Loans and borrowings	28.3	-	-	-	-	-	-	28.3
Trade and other payables	979.5	-	(35.3)	1.1	(5.4)	-	-	939.9
Current tax liabilities	58.2	-	-	-	-	-	-	58.2
	1,066.0	-	(35.3)	1.1	(5.4)	-	-	1,026.4
Non-current liabilities								
Loans and borrowings	12.4	-	-	-	-	-	-	12.4
Trade and other payables	77.4	-	-	-	-	-	(8.7)	68.7
Retirement benefit obligations	-	-	-	-	-	87.8	-	87.8
	89.8	-	-	-	-	87.8	(8.7)	168.9
Total liabilities	1,155.8	-	(35.3)	1.1	(5.4)	87.8	(8.7)	1,195.3
Net assets	1,116.1	0.3	35.3	(0.8)	3.8	(61.5)	(5.9)	1,087.3
Equity								
Share capital	24.0	-	-	-	-	-	-	24.0
Share premium	190.7	-	-	-	-	-	-	190.7
Share based payment reserve	-	1.2	-	-	-	-	-	1.2
Retained earnings	901.4	(0.9)	35.3	(0.8)	3.8	(61.5)	(5.9)	871.4
Total equity	1,116.1	0.3	35.3	(0.8)	3.8	(61.5)	(5.9)	1,087.3

Notes to the Accounts

25. TRANSITION TO IFRS continued

COMPANY RECONCILIATION OF EQUITY AS AT 30 JUNE 2005

	UK GAAP	CHANGES IN ACCOUNTING UNDER:			IFRS
		IFRS 2	IAS 10	IAS 19	
	£m	Share options £m	Dividends £m	Pension accrual and deferred tax adjustment £m	£m
Assets					
Non-current assets					
Property, plant and equipment	0.4	-	-	-	0.4
Investments	60.7	4.7	-	-	65.4
Trade and other receivables	61.6	-	-	-	61.6
Deferred tax	3.0	-	-	26.6	29.6
	125.7	4.7	-	26.6	157.0
Current assets					
Trade and other receivables	201.2	-	-	-	201.2
Cash and cash equivalent	248.3	-	-	-	248.3
	449.5	-	-	-	449.5
Total assets	575.2	4.7	-	26.6	606.5
Liabilities					
Current liabilities					
Loans and borrowings	3.3	-	-	-	3.3
Trade and other payables	66.0	-	(42.8)	-	23.2
Current tax liabilities	3.4	-	-	-	3.4
	72.7	-	(42.8)	-	29.9
Non-current liabilities					
Retirement benefit obligations	-	-	-	88.9	88.9
	-	-	-	88.9	88.9
Total liabilities	72.7	-	(42.8)	88.9	118.8
Net assets	502.5	4.7	42.8	(62.3)	487.7
Equity					
Share capital	24.2	-	-	-	24.2
Share premium	197.9	-	-	-	197.9
Share based payment reserve	-	4.7	-	-	4.7
Retained earnings	280.4	-	42.8	(62.3)	260.9
Total equity	502.5	4.7	42.8	(62.3)	487.7

Notes to the Accounts

25. TRANSITION TO IFRS continued

COMPANY RECONCILIATION OF EQUITY AS AT 1 JULY 2004 (Transition date)

	UK GAAP	CHANGES IN ACCOUNTING UNDER:			IFRS
		IFRS 2	IAS 10	IAS 19	
	£m	Share options £m	Dividends £m	Pension accrual and deferred tax adjustment £m	£m
Assets					
Non-current assets					
Investments	60.7	1.2	–	–	61.9
Trade and other receivables	61.6	–	–	–	61.6
Deferred tax	2.1	–	–	26.3	28.4
	124.4	1.2	–	26.3	151.9
Current assets					
Trade and other receivables	246.8	–	–	–	246.8
Cash and cash equivalent	218.1	–	–	–	218.1
	464.9	–	–	–	464.9
Total assets	589.3	1.2	–	26.3	616.8
Liabilities					
Current liabilities					
Loans and borrowings	4.3	–	–	–	4.3
Trade and other payables	144.3	–	(35.3)	–	109.0
Current tax liabilities	2.1	–	–	–	2.1
	150.7	–	(35.3)	–	115.4
Non-current liabilities					
Retirement benefit obligations	–	–	–	87.8	87.8
	–	–	–	87.8	87.8
Total liabilities	150.7	–	(35.3)	87.8	203.2
Net assets	438.6	1.2	35.3	(61.5)	413.6
Equity					
Share capital	24.0	–	–	–	24.0
Share premium	190.7	–	–	–	190.7
Share based payment reserve	–	1.2	–	–	1.2
Retained earnings	223.9	–	35.3	(61.5)	197.7
Total equity	438.6	1.2	35.3	(61.5)	413.6

Notes to the Accounts

25. TRANSITION TO IFRS continued

CHANGES IN ACCOUNTING

As a result of complying with IFRS a number of changes are required to the way the Group and Company accounts reflect certain transactions. The main changes are detailed below:

a) IFRS 2 'Share-based payments'

In accordance with IFRS 2, the Group has recognised a charge for share options granted on or after 7 November 2002. The fair value of these options has been calculated using a present economic value model. The charge is spread over the vesting period and is adjusted to reflect pre-vesting forfeitures and, in the case of awards that are subject to a non-market based performance test, the actual and expected level of vesting. The resultant charge to profit from operations for the year ended 30 June 2005 in respect of share-based payments was £3.8m, including £0.3m in respect of the Group's expected liability for National Insurance on unapproved options.

An estimate of the tax base of share options at the end of the period is determined by reference to the market value of the related share and the exercise price of the option at the reporting date multiplied by the proportion of the vesting period that has lapsed. The deductible temporary difference results in the recognition of a deferred tax asset. The deferred tax asset at 30 June 2004 was £0.3m and at 30 June 2005 was £1.4m.

b) IFRS 5 'Discontinued operations'

Under IFRS 5, the face of the income statement must include a single amount for the post tax profit or loss of the discontinued operations, together with any profit or loss on disposal. The presentation adjustment removes the UK GAAP disclosure of including amounts on a line-by-line basis.

c) IAS 7 'Cash flow statements'

IAS 7 requires that the cash flow statement be reconciled to "cash and cash equivalents". As such, movements in bank loans and overdrafts due in less than one year have been included within the cash flow statement as a financing cash flow.

In addition there have been a number of reclassifications to categorise cash flows in the three required headings of operating, financing and investing.

Cash flows arising from taxes on income were reclassified as cash flows from operating activities, as it was not possible to identify elements associated with financing and investing activities.

Cash flows arising from interest payments were reclassified as cash flows from operating activities on the basis that they enter into the determination of profit.

d) IAS 10 'Events after the Balance Sheet date'

Under IAS 10 only dividends declared before the balance sheet date can be recorded as a liability. As final dividends for the years ended 30 June 2004 and 30 June 2005 were declared after the year end, no liability should be recognised. The impact of this adjustment is to increase net assets by £35.3m at 30 June 2004 and by £42.8m at 30 June 2005.

e) IAS 12 'Income taxes'

IAS 12 encompasses the requirements of both current tax and deferred tax. It takes a balance sheet approach that is based on temporary differences between the accounting and tax bases of assets and liabilities. The deferred tax adjustments are largely a reflection of the various accounting changes as part of this exercise. These adjustments have been included in the reconciliations, together with the relevant IFRS/IAS.

Under IFRS, the Group's deferred tax asset is presented in non-current assets on the face of the consolidated balance sheet. Under UK GAAP, it was classified within other debtors in current assets.

f) IAS 14 'Segmental reporting'

As all of the Group's operations are within the United Kingdom, which is one economic environment in the context of the Group's activities, there are no geographic segments to be disclosed. As all the Group's operations are in construction there are no business segments to be disclosed.

Notes to the Accounts

25. TRANSITION TO IFRS continued

g) IAS 16 'Property, plant and equipment'

Fair value of property plant and equipment on transition

The Group has not previously applied a policy of revaluation to property, plant and equipment. The Group will continue to hold property, plant and equipment at depreciated cost under IFRS.

The provisions of IFRS 1 allow companies to revalue property, plant and equipment to fair value on transition to IFRS, and to treat the fair value as deemed cost on transition, even where a policy of revaluation will not be applied going forward. The Group has elected not to revalue property, plant and equipment to fair value on transition. Therefore, there is no adjustment to the carrying value of property, plant and equipment on transition to IFRS.

Residual value of property, plant and equipment

Under IFRS, the residual value of property, plant and equipment should be reassessed annually based on values current at the balance sheet date (rather than at the date of capitalisation of the asset under existing accounting). If there is any change, future depreciation charges should be adjusted accordingly.

This change has no impact on the opening balance sheet at 1 July 2005, and has no material impact on the Group's results for the year ended 30 June 2005.

h) IAS 19 'Employee benefits'

In respect of the defined benefit pension scheme, the Group is required to recognise the net deficit in the scheme on its balance sheet. The net effect of this as at 30 June 2005, is to recognise a net deficit of £62.3m, consisting of a pension scheme deficit of £88.9m and a deferred tax asset of £26.6m. Actuarial gains and losses are spread over a number of years, as an adjustment to the pension expense in the income statement, making use of the "10% corridor" to reduce volatility.

i) IAS 2 'Inventories' and

IAS 39 'Financial instruments : recognition and measurement'

IAS 2 requires that, where a company purchases inventories on deferred settlement terms and the arrangement effectively contains a refinancing element, then that element should be recognised as interest expense over the period of financing. This affects the Group in respect of long-term land creditors (which have a price determined at inception but payable a year or more in the future) which must be recognised at a discounted net present ("fair") value on recognition, with the discount being unwound through finance costs over the period to settlement of the liability.

In accordance with IAS 39, the deferred payments arising from land creditors are to be held at discounted present value, hence recognising a financing element on the deferred settlement terms. The liability is then increased to the settlement value over the period of the deferral. The value of the discount is expensed through finance costs in the consolidated income statement.

The effect on the opening balance sheet at 30 June 2005 was to reduce the value of the land bank by £19.6m, reduce land creditors by £5.3m, recognise a deferred tax asset of £4.3m and reduce opening reserves by £10.0m. For the year ended 30 June 2005, this resulted in an increase in profit from operations of £1.9m, a charge of £7.7m to finance costs and a related tax credit of £1.7m.

Independent Auditors' Report

Independent auditors' report to the members of Barratt Developments PLC

We have audited the group and parent company financial statements (the "financial statements") of Barratt Developments PLC for the year ended 30th June 2006 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Group Chief Executive's Review that is cross referred from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Chief Executive's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Independent Auditors' Report

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 30 June 2006 and of its profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2006 and cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
12th October 2006

Five Year Record and Financial Calendar

FIVE YEAR RECORD

Year	IFRS			UK GAAP	
	2006 ⁱ	2005 ⁱ	2004 ⁱⁱ	2003 ⁱⁱⁱ Restated ⁱⁱⁱ	2002 ⁱⁱⁱ Restated ⁱⁱⁱ
Group revenue £m	2,431.4	2,484.7	2,516.0	2,171.0	1,799.4
Profit before tax £m	391.4	394.3	367.7	288.7	220.0
Share capital and reserves £m	1,539.9	1,325.6	1,116.1	908.9	741.8
Per ordinary share:					
Earnings (basic) pence	115.3	119.9	111.4	89.1	68.6
Dividend pence	28.33	23.67	21.58	17.26	14.38
Net assets pence	633	548	465	381	312
Dividend cover	4.1	5.1	5.2	5.2	4.8

Note ⁱ Information relating to 2006 and 2005 is presented under IFRS.

ⁱⁱ Information relating to 2004, 2003 and 2002 is presented under UK GAAP, as directed by IFRS 1. The main adjustments that would be required to comply with IFRS would be those set out in Note 25 to the Group Financial Statements. In addition, under IFRS, discontinued operations are excluded from individual lines in the income statement, and included in the line profit from discontinued operations. This applies to the Southern California housebuilding operation which was disposed of in the year ended 30 June 2005.

ⁱⁱⁱ The Group adopted Urgent Issues Task Force Abstract 38: "Accounting for ESOP trusts" in 2004. 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. The comparative figures have been restated in a prior year adjustment to reflect this changed treatment.

FINANCIAL CALENDAR

Announcement of results:

Half year	29 March 2006
Full year	27 September 2006
Annual Report posted to shareholders	30 October 2006
Annual General Meeting	28 November 2006

Dividends:

Interim paid	26 May 2006
Final proposed	29 November 2006

group structure and directory

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