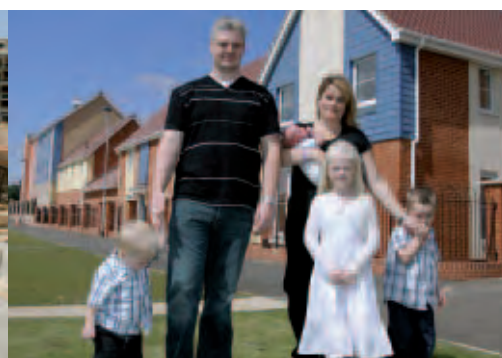
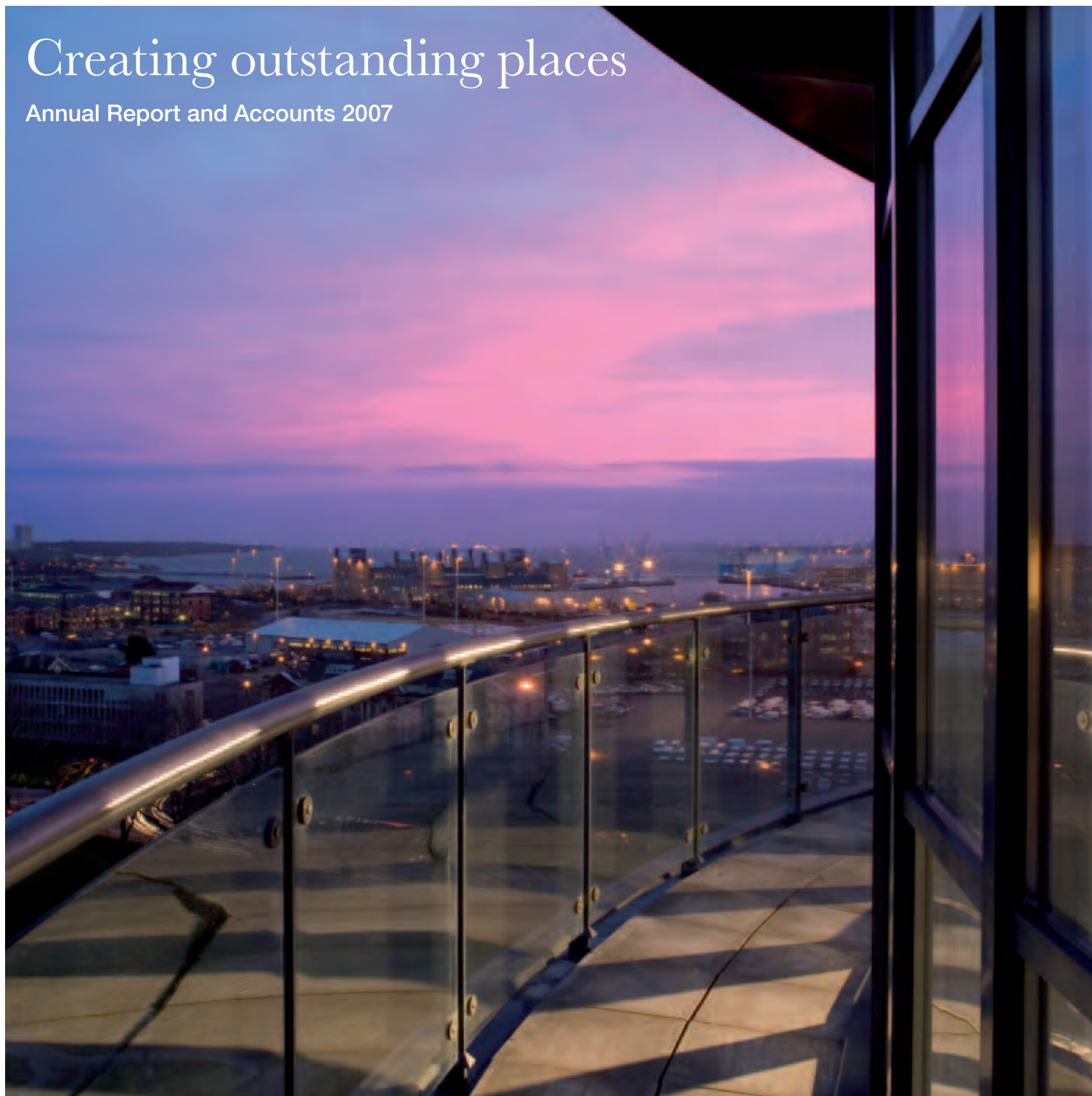




BARRATT
DEVELOPMENTS PLC

Creating outstanding places

Annual Report and Accounts 2007



Increased profits in 2006/07

The Group has achieved another strong performance this year, both from Barratt Homes and the acquired Wilson Bowden businesses. We delivered 17,168 completions (2006: 14,601) up 17.6%, with revenue of £3,046.1m (2006: £2,431.4m) up 25.3%, and profit before tax of £427.8m (2006: £391.4m) up 9.3%.



Increased earnings per share

Adjusted earnings per share* was 123.8p up 7.4% from 115.3p in 2006. Basic earnings per share was 116.2p, up from 115.3p in 2006.

*Excludes restructuring costs of £26.2m and related tax of £6.5m.



Strengthened land bank

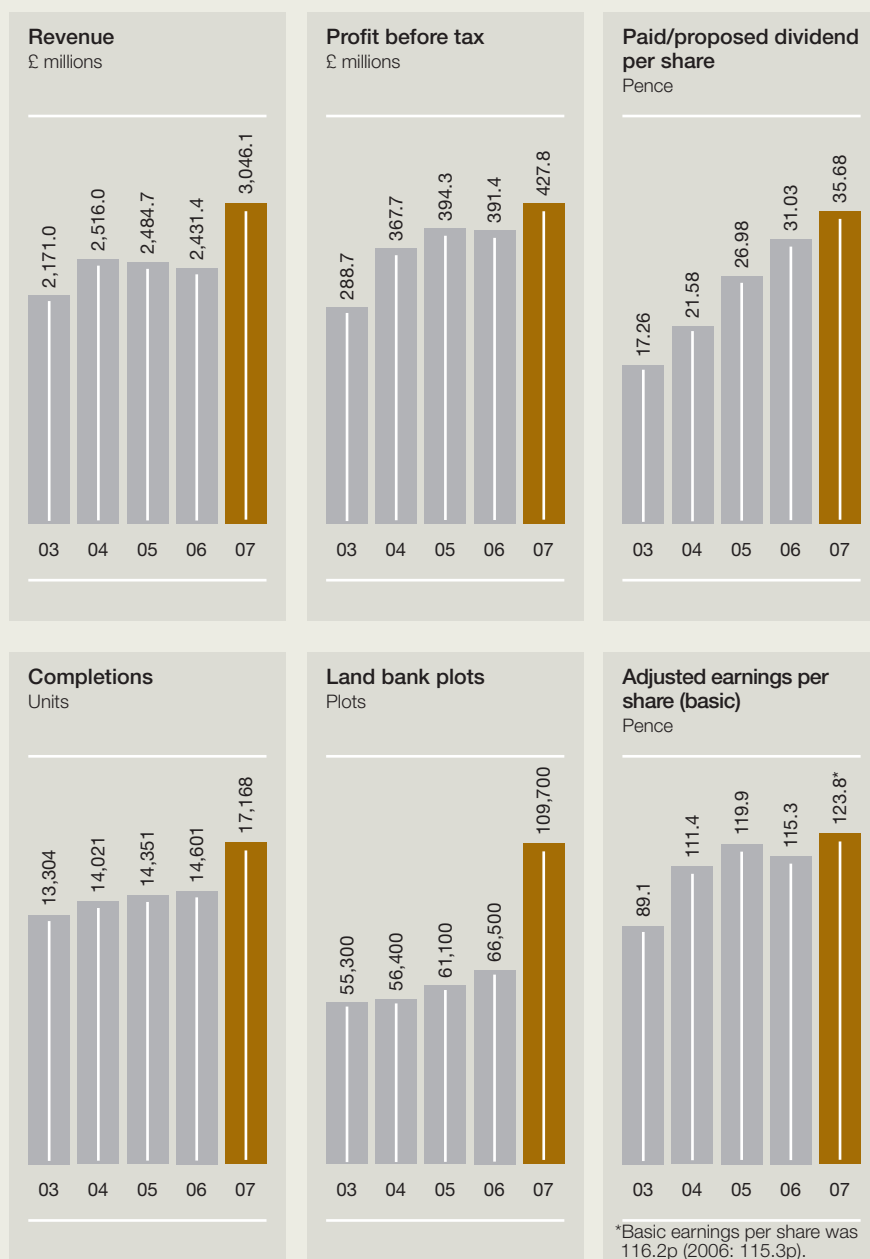
The Group land bank has been strengthened in the year and now stands at 109,700 plots (including 23,300 subject to contract) which is approximately 5.1 years of land usage at the current rate of consumption.



Increased dividend

The proposed final dividend per share is 24.30p an increase of 17.5% on 2006. The full year total is 35.68p per share, 15% up on 2006.





Note: Information relating to 2003 and 2004 is presented under UK GAAP.

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Notice regarding limitations on Director liability under English Law
Under the Companies Act 2006, a new safe harbour limits the liability of Directors in respect of statements in and omissions from the Report of the Directors contained on pages 4 to 49. Under English Law the Directors would be liable to the Company (but not to any third party) if the Report of the Directors contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Report of the Directors

Pages 4 to 49 inclusive consist of a Report of the Directors that has been drawn up and presented in accordance with and in reliance upon English company law and liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Cautionary statement regarding forward-looking statements

The Group's reports including this document and written information released, or oral statements made, to the public in the future by or on behalf of the Group, may contain forward-looking statements. Forward-looking statements give the Group's current expectations or forecasts of future events. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe', and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective products, future performance or results, sales, expenses, the outcome of contingencies such as legal proceedings, and financial results. The Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements involve inherent risks and uncertainties. The Group cautions investors that a number of important factors, including those in this document, could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, those discussed under Group key risks on page 21 of this Annual Report.

Group at a glance



Tradewinds, Edinburgh; Barratt



Archers Croft, Redditch; David Wilson Homes

Our aim

Our aim is to maximise value for shareholders by creating outstanding places to live and work for our customers and their communities.

Our brands

Barratt Homes is the best known housebuilding brand in Great Britain, focusing on traditional housing, apartments and urban regeneration. David Wilson Homes has a reputation for producing larger family homes. We also have a strong regional brand, Ward Homes, operating predominantly in Kent. Commercial and mixed-use developments are delivered by Wilson Bowden Developments.

Our focus

- Family homes
- City apartments
- Urban regeneration
- Affordable housing
- Commercial developments

Our success

During the year we won a series of national awards for design, service and quality – independent recognition of the quality of our operations. We were voted 'Housebuilder of the Year' in the 'What House?' Awards and our construction teams won an unprecedented 71 'Pride in the Job' Quality Awards from the National House-Building Council, more than any other housebuilder.

Barratt Developments is one of the nation's largest housebuilders with over 6,900 direct employees, and offices throughout Great Britain. In 2007 we completed over 17,000 homes and 145,000 square feet of commercial property. We operate across all sectors of the market: from apartments to family homes, urban regeneration schemes to retail shopping centres.



Regency Gardens, Leamington Spa; Barratt



Drawing competition, Axiom, Feltham; Barratt



Chairman's statement

This has been a historic year for Barratt Developments marked by very considerable change. Under a new Chief Executive, Mark Clare, we acquired Wilson Bowden which took us into the FTSE100.

Whilst completing and rapidly integrating this major acquisition, we have delivered a robust operating performance against a backdrop of increasing UK interest rates.

The acquisition of Wilson Bowden

The acquisition of Wilson Bowden, completed in April, has a strong underlying commercial logic and gives us new capabilities across the sector.

The geographic coverage of our housebuilding activity across Great Britain has been further underpinned providing a strong base for future growth. The combined business also has products spanning the market – from first time buyer homes to urban regeneration through to upmarket housing under the well respected David Wilson Homes brand. In addition, the enlarged Group is a major provider of social housing and commercial developments.

Our land position has improved and we have increased access to considerable expertise in strategic land acquisition and delivery.

The integration of the two businesses has progressed rapidly and is now ahead of our original plans both in terms of timing and savings to be realised. We now expect to deliver at least £30m of synergies in 2007/8 and at least £60m in the second full year after completing the acquisition.

As a result of the acquisition we gained a strong commercial development business in Wilson Bowden Developments. We are currently reviewing how this can create best value for the Group, including leveraging its capability on large scale mixed-use schemes.

Our performance and dividends

Our housebuilding business delivered strong completion growth, robust profitability and a healthy margin over the last twelve months. Wilson Bowden Developments delivered a strong performance in line with market expectations.

These were encouraging results against the backdrop of a year where we saw significant increases in UK interest rates. To underpin returns in what is expected to be a more difficult environment we will continue to drive revenue whilst focusing rigorously on cost control and sales management.

The Board is proposing a final dividend of 24.30 pence per share (2006: 20.69 pence per share) for payment in November 2007. This will bring our full year dividend to 35.68 pence per share and represents a 15% year on year increase. This is in keeping

with our progressive dividend policy of reducing, over time, our dividend cover to around 2.5 times.

The changing industry landscape

As well as changing economic conditions, this year has also seen significant changes in the public policy outlook for housebuilders.

The UK Government has made housing a key priority going forward and has set out an ambition to increase significantly the supply of new housing both in the private and affordable sectors. To achieve this, further land will need to be made available together with reforms to the planning process.

During the year the Office of Fair Trading started an industry review focusing on customer service and the supply of new housing.

The UK Government announced a target for new homes to be zero carbon by 2016. This will lead to very significant changes in the way houses are constructed and supplied with energy. It is vital that the industry adjusts rapidly and we have already made considerable progress with various initiatives underway.

Safety remains a key priority for the Group. The tragic accident in Battersea in September 2006 in which two people lost their lives, underlined the dangers of the work we undertake and our thoughts and deepest sympathies remain with the families of those killed in the incident. We continue to work closely with the Health and Safety Executive on the cause of the incident and are committed to ensuring the safety of the public and our employees remains paramount.

Our people

To deliver such a strong performance against a background of rising interest rates and the completion of a significant acquisition is a major achievement for the Group. It is a tribute to our Executive team and our employees, from both Barratt and Wilson Bowden, who have worked tirelessly with considerable skill to deliver these results.



To deliver such a strong performance against a background of rising interest rates and the completion of a significant acquisition is a major achievement for the Group.

The underlying strength of the business is also a tribute to David Pretty CBE our former Chief Executive who retired in December. Geoff Hester also retired from the Board in January and we wish them both well in retirement.

The future

In the coming year the Group is likely to face a more challenging market place as the impact of increasing interest rates and mortgage costs are felt. In addition there is more uncertainty about the macroeconomic outlook. By harnessing the capabilities of a strengthened management team, we will focus relentlessly on delivering benefits from the acquisition, driving down costs and running the business to maximise shareholder value.

Charles Toner
Chairman

Barratt Developments PLC
26 September 2007



Top: The Forge, Ringmer; David Wilson Homes
Bottom: Bakers Mill regeneration project,
Great Cornard, Suffolk; Barratt

Moving forward

Financially and operationally this has been a successful year for the Group. We have completed the acquisition of Wilson Bowden, rapidly integrated the two businesses and are already starting to deliver our synergy targets.

At the same time we have continued to focus on improving our operational efficiency, increasing our investment in land whilst enhancing the capability of the organisation to deliver.

Our performance

The profit before tax for the combined Group for the year was £427.8m – an increase of £36.4m (9.3%) on a turnover of £3,046.1m (2006: £2,431.4m) up 25.3%. This included a profit before tax contribution from Wilson Bowden of £63.6m*, and a turnover contribution of £379.6m, for the last two months of the year.

During the year both businesses have performed well with strong growth in completions. Barratt saw completions increase by 6.3% to 15,517 (2006: 14,601). Wilson Bowden performed strongly increasing completions by 19.2% to 2,635 in the six months to June (2006: 2,211).

Tight control of costs has helped us to deliver an operating margin before restructuring costs* of 16.7% (2006: 17.0%).

Forward sales for the Group at 1 July 2007 were strong and totalled £1,414m, 14.8% ahead of the combined Barratt and Wilson Bowden total at 30 June 2006 of £1,232m and 67.3% up on the Barratt total of £845m at 30 June 2006.

Integrating the businesses

The integration of Wilson Bowden has progressed rapidly ensuring that the combined business will deliver synergies and strategic benefits as quickly as possible. One of the principles of integrating the businesses has been to take the best from both organisations and this has been carried through. Ensuring best practice is followed and realising synergies will remain key priorities for us.

We now operate under two strong national brands for housebuilding – Barratt Homes and David Wilson Homes. We have also retained Ward Homes based predominantly in Kent as a strong local brand. The KingsOak brand has been discontinued. All the key management teams have been put in place and are working successfully to deliver our plans going forward with specific focus on improving operational performance.

Our regional network of offices has been reorganised to create 35 housebuilding divisions, each with a strengthened management team.

Nine divisional offices were closed and we are planning to close both the Group office in Newcastle and the former Wilson Bowden

head office in Ibstock. In all, 370 redundancies have resulted from the acquisition, with an expectation of approximately 400 in total. We now expect to deliver at least £60m of synergy savings in the second full year after completion, compared with the earlier estimate of £45m. Savings of at least £30m are expected to be delivered in 2007/8.

Our priorities

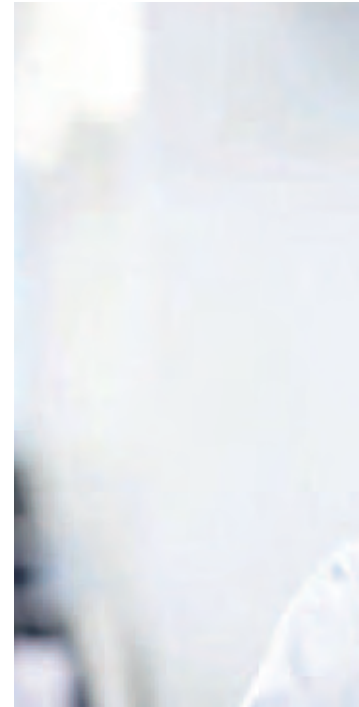
Our objective is to maximise shareholder value by creating great places to live and work that serve the long-term needs of our customers and their communities.

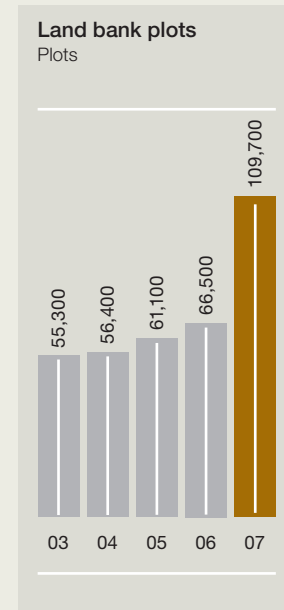
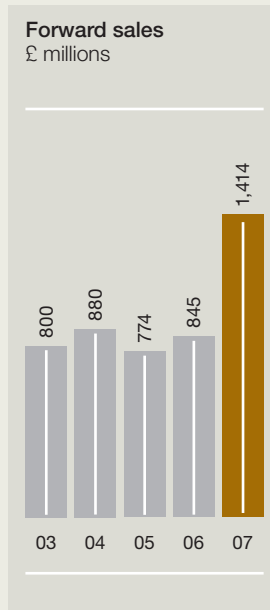
To achieve this we will need to continue our focus on building revenues, improving quality, service and design, whilst lowering the cost of doing business.

Competitive land purchasing is the life blood of the Group and last year we invested £1,012.7m, significantly improving our position. We now have a land bank of 5.1 years at current production rates of which 72.2% has either detailed or outline planning permission.

With the acquisition of Wilson Bowden we gained important strategic land assets and capabilities which we intend to exploit to the full to underpin further growth. We will also

*Before restructuring costs of £26.2m: restructuring costs of £13.1m related to Wilson Bowden and £13.1m related to Barratt have been incurred.





continue to focus on the delivery of land through the planning process as effectively as possible.

The Group now has two of the best known national house building brands with differing market positions. The reputation of these brands, together with effective sales investment, will be critical in maintaining and growing revenues. We have now relaunched the Barratt Homes brand backed by TV advertising and a new sales website. The David Wilson Homes brand is benefiting from the additional rebranding of KingsOak sites.

In recent years substantial progress has been made in improving customer service and last year 89% of Barratt Homes' buyers said they would recommend us to a friend, up from 85% in the previous year. However, there is still further progress that needs to be made if we are to create a Group that truly places the customer at the heart of its business. This will be underpinned by the setting of clear targets for improvements within the remuneration package of our senior managers.

During the past year we won numerous awards for the design and quality of the homes and communities we build. This will continue to be a key priority as it not only underpins sales but also enhances the reputation of the Group

enabling us to secure more business. As we put in place the capability to deliver higher volumes, we will also seek to ensure that we do so with a lower cost base. So in addition to delivering the synergy savings from the acquisition, we are also focusing on day-to-day efficiency improvements. Looking forward we have identified further areas of improvement and set stretching targets for delivery.

None of these priorities can be delivered without the considerable ability of our people - from land buying to planning and from construction to sales. Over the last year we have improved the capability of the organisation through new recruitment and development of our management teams. We have also introduced a new graduate programme and we are now setting out to improve our apprenticeship scheme, already one of the largest in the industry.

Outlook

We have already signalled that it would be prudent to assume that the cumulative impact of interest rate increases would result in the housing market tightening in 2007/8. The recent credit squeeze has further affected customer sentiment and pressure on lending institutions, has led to a tightening of lending criteria and mortgage availability.

It is not yet clear how quickly the market will recover but we have to assume that there will be downward pressure on volumes and price inflation in the short-term.

However, the market fundamentals remain strong with demand continuing to exceed supply with the Government intent on stimulating the sector by accelerating land availability.

In the year ahead the market will continue to change rapidly. Three areas of particular focus will be:

- Continued investment in the acquisition of land
- Further enhancing our urban regeneration capabilities
- Establishing leadership in the move to zero carbon

Mark Clare
Group Chief Executive
Barratt Developments PLC
26 September 2007

Continued investment in the acquisition of land



Right: Cattle Market, Banbury, Oxon.
Below: Great West Quarter, Brentford



Acquiring land competitively in the right areas is critical for the future success of the business. We have improved our land position, both in terms of our land bank and our strategic land capability, that will underpin longer-term growth. We will continue to focus on delivering developments through the planning process as effectively as possible to ensure that the land we hold is rapidly converted into vibrant new communities.



Further enhancing our urban regeneration capabilities

Right: Axiom redevelopment of Feltham
Below: Sarah Jones and her family





We are a leading force in urban regeneration, breathing new life into towns and cities – 78% of the Barratt developments we build are on brownfield land. Barratt has traditionally been strong in regeneration in London and the South of England. We now have a new specialist regeneration unit covering the North of England and are winning major new projects that will lead to thousands of new homes together with the social and economic renewal of the communities themselves.

Sarah Jones grew up in Feltham but moved away as she started her own life. However, when she and her partner were looking for a place together she rediscovered Feltham. She loves the new development and the change it has made to the whole area; so she's now back in Feltham, with her family, and loving the difference it has made.



Establishing leadership in the move to zero carbon

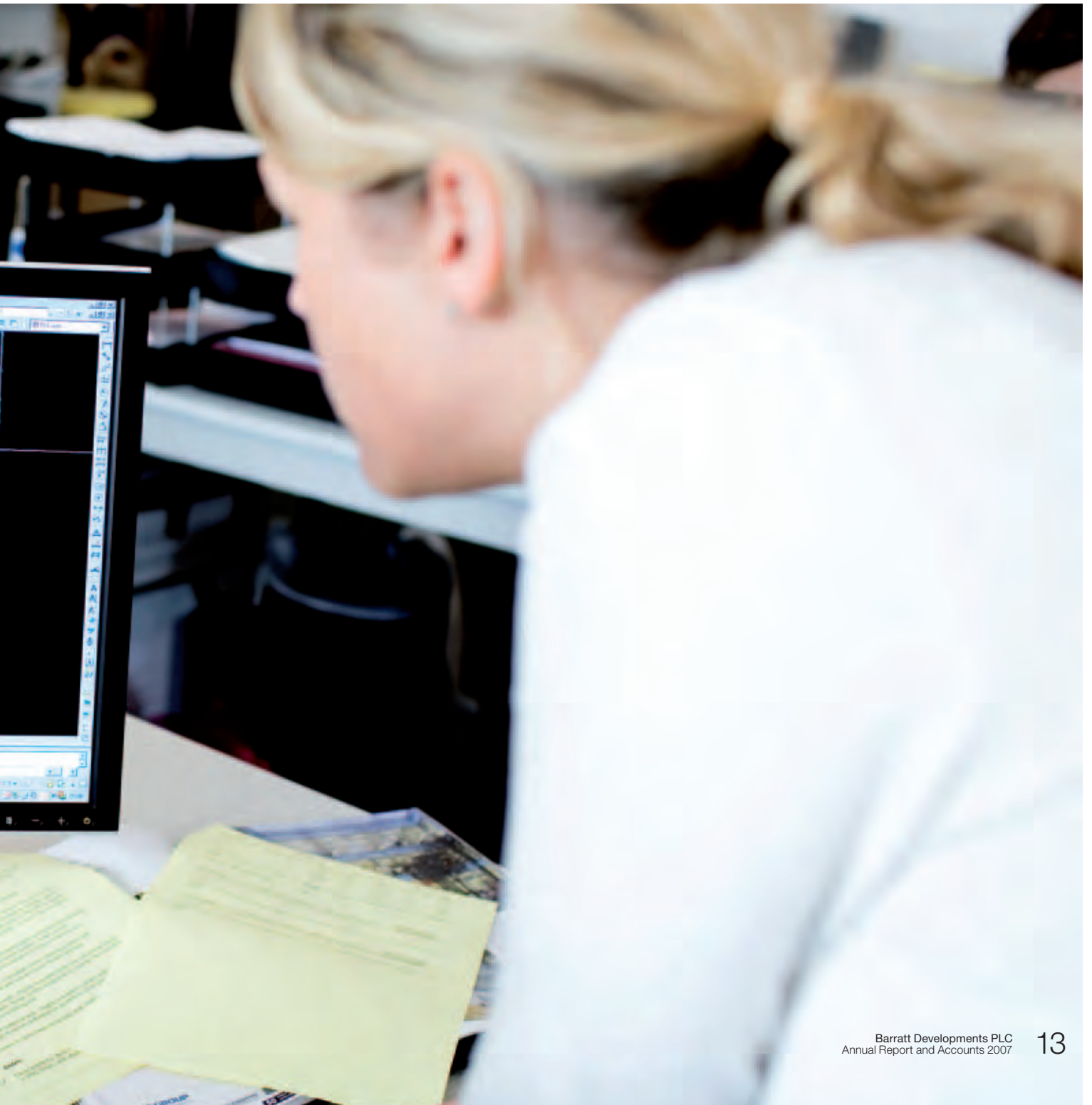
Right: Award winning design for the 'Green House'
Below: The architects at Gaunt Francis at work on the 'Green House'





By 2016 new homes in the UK are required to be zero carbon – this will mean major changes in how homes are designed and supplied with energy. We have been testing renewable technologies at our EcoSmart Show Village in Chorley and based on our experience we now have low carbon initiatives being installed in over 35 developments across the country including solar thermal heating and photovoltaics.

We have now started work on the 'Green House', one of the most environmentally friendly homes ever to be built in the UK. It will combine the highest standards of energy efficiency with the ability to generate electricity within the home itself. In future we will apply the lessons we learn to the wide range of housing we build.





+18%

Completions

Increased from 14,601 in 2006 to 17,168 in 2007 including 1,651 from Wilson Bowden.



Above: Design for Great West Quarter, Brentford; Barratt
 Middle: Elektron, Leamouth; Barratt
 Top left: King's Meadow, Newmarket; David Wilson Homes
 Bottom left: Fifth Avenue, Harlow, Essex; Barratt

Business review

The Group has achieved another strong performance this year, both from the existing Barratt operation and from the Wilson Bowden businesses that we acquired on 26 April 2007.

Overall our housebuilding operation delivered 17,168 completions (2006: 14,601) and profit from operations of £475.1m (2006: £413.5m). The acquired commercial developments business, Wilson Bowden Developments (excluding its own housebuilding completions), delivered a profit from operations of £5.9m.

The key performance indicators of the business are discussed in the table on page 15.

Housebuilding

Barratt Homes completed 15,517 properties (up 6.3% on the prior year total of 14,601), with total revenue for the year of £2,666.5m, an increase of 9.7% over the prior year. The increase in completions has been driven by a 9% increase in the average rate of completions per operating site, although planning delays meant the average number of operating sites dropped from 461 to 449 during the year. Average selling price in Barratt Homes increased to £169,600, up 2.3% on the prior year, which was mainly due to price increases and changes in product mix.

+9%

Barratt average completions per site

Barratt Homes average completions per operating site have increased from 31.7 in 2006 to 34.6 in 2007.

Key performance indicator	2007	2006	Movement	
Operational				
Residential completion numbers	17,168	14,601	17.6%	Discussed in the section entitled 'Housebuilding' on pages 14 and 15
Average sales price	£172,800	£165,800	4.2%	
Residential turnover divided by the number of completions				
Land bank plots	109,700	66,500	65.0%	Discussed in the section entitled 'Land' on page 15
Number of residential plots owned and agreed subject to contract				
Customer recommendation levels	89%	85%	4%	Discussed in the section entitled 'Quality and service' on pages 16 to 18
Percentage of Barratt Homes customers who would 'recommend us to a friend'				
Reportable accidents	643	672	(4.3%)	Discussed in the section entitled 'Health and Safety' on page 19
Number per 100,000 people employed in the housebuilding business				
Financial				
Revenue	£3,046.1m	£2,431.4m	25.3%	Discussed in the Group Finance Director's review on pages 22 to 25
Profit from operations	£481.0m	£413.5m	16.3%	
Profit before tax	£427.8m	£391.4m	9.3%	
Earnings per share	116.2p	115.3p	0.8%	
Profit after tax divided by the weighted average number of ordinary shares in issue				

Wilson Bowden completed 1,651 properties since acquisition, with revenue of £334.9m. It operated from an average of 154 sites in the period, up 3% from the equivalent period last year. Wilson Bowden's average selling price was £202,800 in the period since acquisition. The higher average selling price than Barratt Homes reflects the different mix of market segments in which the David Wilson Homes brand operates.

The integration of Wilson Bowden is progressing ahead of schedule, with both the new operational structure of 35 divisions and its supporting management structure in place. The Group is focused on developing its core brands: Barratt Homes for traditional housing, apartments and urban regeneration; and David Wilson Homes with a reputation for producing larger family homes, along with the Ward Homes brand based predominantly in Kent. However, we have decided to discontinue the use of our KingsOak brand. The rebranding of our sites and divisions is now complete. Progress is also being made in reducing our head office and administrative costs. In our first full year we estimate our synergy savings will be at least £30m, rising to at least £60m in the second full year following acquisition.

Commercial development

Wilson Bowden Developments was acquired as part of the acquisition of Wilson Bowden, and its trading performance during May and June was in line with our expectations. The main highlights were: the handover of East Midlands Fire Control Centre at Willow Farm, Castle Donington, which will be used to coordinate the Fire Service for five counties in the East Midlands; and the completion of the redevelopment and extension of the Jackson Square shopping centre at Bishop's Stortford. In addition we secured the letting to the Home Office of a 76,000 square foot office building at our Riverside Exchange site in Sheffield and made continued progress with lettings at the Eagles Meadow shopping centre in Wrexham which is due to open in the second half of 2008.

Land

The Group land bank has been strengthened during the year and now stands at 109,700 plots with a book value of £3,296.6m, representing approximately 5.1 years of land usage at the current rate of consumption. The land bank includes 23,300 plots which have been purchased subject to contract. Of our land bank at 30 June 2007, 72.2% of plots have either detailed or outline planning

permission. We have detailed planning permission on 99.3% of plots for 2007/08 and 60.8% of plots for 2008/09. In addition we have 12,200 acres (2006: 2,800 acres) of strategic land, which has been considerably increased by the acquisition of Wilson Bowden.

Expenditure on land purchases during the year was £1,012.7m compared with £841m for the previous year.

The acquisition of Wilson Bowden, has further strengthened the Group's land bank, bringing with it not only the additional plots acquired but also strengthening our expertise in strategic land. The additional focus we shall now be able to bring to bear on the delivery of strategic land will enable us to deliver enhanced shareholder value in future years.

Core strengths

During the past year the Group continued to build upon its core strengths of geographic and product diversity, quality and service, and people. We have inherited strong skills from Wilson Bowden that complemented those in Barratt.

Geographic and product diversity

The Group offers a wide product range from first time buyer homes to luxury apartments and family homes with prices ranging from under £90,000 to £1.35 million and an average selling price of £172,800. We operate throughout Great Britain and at 30 June 2007 we were selling from 590 sites spread over 35 divisions. The diversity of product and places has been strengthened by our acquisition of Wilson Bowden.

The provision of affordable homes continues to be a key component of our activities with the Group completing 2,833 homes for housing association partners during the year at an average selling price of £92,800. We are one of the leading providers in the industry of affordable homes for rent, shared ownership or low cost homes for sale. We believe that our strength in this area provides opportunities for the Group's further growth, especially in light of developing Government policy.

We have continued to invest in our iPad range of homes which provides affordable housing for first time buyers. During the year 120 (2006: 30) homes were legally completed, 330 were under construction, and planning permission has been secured for a further 634 homes. Our product offering in this area has been further enhanced by the addition of the David Wilson Homes' range of iLife homes. We are pleased to have been awarded £30.5m of funding under the English Partnerships' First Time Buyers Initiative, to assist first time buyers who would otherwise have been unable to afford to buy their own home. Under this initiative the Group will build 316 homes on developments in Brighton, Bristol, Ely, Gravesend, Leeds, Liverpool, Romford, Southampton and Watford.

During the last twelve months we have secured 219 sites, which will deliver 26,000 units in future years. A number of these sites are very significant for our plans for future growth. In Northampton, we have won 16 sites that will provide 1,500 new homes and we shall also help to fund new educational facilities in the town. We also recently announced schemes for more than 1,200 new homes in Middlesbrough and Stockton. In Telford, in consortium with two other developers, we are creating the largest single new community in

Britain, our contribution to which will exceed 1,200 new homes. In addition, we are currently involved in a number of specialist urban regeneration projects. These include a £240m development, the Great West Quarter in Brentford, which will create over 730 homes, almost half of which will be available for rent or shared ownership, and which will include a hotel and health centre. We are continuing to develop two flagship town centre regeneration projects in Feltham and Hounslow, creating 1,150 homes with commercial, retail and community facilities. The Feltham scheme, of over 800 homes, has been awarded £5m in direct funding from English Partnerships to enable 58 homes to be made available to key workers and first time buyers on a shared ownership basis. We are also in partnership with the specialist regeneration company Artisan, developing over 1,000 homes in Rochdale.

Quality and service

We are pleased that overall customer satisfaction and the number of our customers who would 'recommend us to a friend' has continued to improve during the year. In the year ended 30 June 2007, 89% of Barratt Homes' customers responded that they would 'recommend us to a friend', which represents an improvement over the result of 85% in 2006 and 80% in 2005. In addition, our customer satisfaction rating has continued to improve from 70% in 2005 to 76% in 2006 and is now 81%.

We are continually striving to improve our service to our customers and this is now a feature of senior management remuneration. During the year we also completed a training programme for all 'customer facing' staff covering our Customer Charter and Customer Care Personal Code of Practice. We also conducted full customer service audits of a number of our divisions, and based upon the audit findings, we have implemented a range of development programmes designed to improve our level of customer care. During the year, the Group also introduced a code of practice for all Group suppliers, which emphasises the importance that the Group places on high standards of customer care.



Core strength: Geographic and product diversity



We build homes in every region of Great Britain. We also have products for every section of the market – from traditional housing and regeneration schemes to penthouses and upmarket family homes. We are one of the largest builders of affordable housing and our iPad is particularly suited to first time buyers.

We completed 2,833 homes for housing association partners during the year. We also have a commercial developments business, Wilson Bowden Developments, with the ability to bid for large, mixed-use projects.

Far left: Melanie Latham bought her flat with the help of English Partnerships' First Time Buyers Initiative
Above: Brewery Wharf, Leeds; Barratt
Middle: Meadow Grange, Barrow Upon Soar; David Wilson Homes
Bottom: Plan of Wilson Bowden Developments' Ravenscraig project



89%

of Barratt Homes customers would 'recommend us to a friend'.

The quality of our product offerings has been recognised by the receipt of several major national industry awards. Barratt Homes was named 'Housebuilder of the Year' at the 'What House?' Awards and 'Homebuilder of the Year' in the 'Your New Home' Awards. Furthermore, Barratt Homes also received Gold Awards for exterior design, landscaping and renovation at the 'What House?' Awards.

Our people and expertise

We recognise that one of our key strengths as a Group is our people. We have appointed a new Group Human Resources Director and have strengthened our human resources team during the year. We have also introduced a number of new initiatives to benefit our staff, including our Cornerstone induction plan, a new twice-yearly Performance and Development Review and the Barratt Leadership Development Programme, all of which will assist with the development of the Group's leaders of the future.

We have launched a new Graduate Recruitment and Development Programme. 54 successful graduates joined the business in September 2007, selected from 752 applicants. They will undertake a two-year multidisciplinary programme.

At any one time we have over 500 apprentices within our business. Our intention is to ensure that we continue to attract and retain the very best apprentices to provide a pipeline of skills for the future. We are currently working with the Learning and Skills Council and the Apprenticeship Ambassadors Network to ensure we have an industry leading apprenticeship programme.

The Group has continued to make progress towards its target of a fully Construction Skills Certificate Scheme (CSCS) carded and qualified workforce, including our

Core strength: Quality, service and design



Barratt Homes' customers who would 'recommend us to a friend' (%)



During the year our work to improve standards of quality, service and design was independently recognised.

We are investing to ensure that we continue to improve the standard of customer service we provide. We have also won a series of national awards including 'House Builder of the Year' and an unprecedented three regeneration projects won Housing Design Awards that celebrate 'housing of great ambition and distinction'.



subcontractors, by 2010. At present over 60% of our workforce has achieved this target.

The strengths of the Group in terms of people and expertise have been recognised again this year with the Group winning a number of national awards. Our construction teams won 71 National House-Building Council (NHBC) 'Pride in the Job' quality awards, a significant improvement on last year's achievement of 53 awards. This is more than any other housebuilder and a new record for the Group.

The Group's innovative approach to housebuilding was recognised at both the 2006 'Housebuilder Innovation' Awards, where Barratt Homes won 'Housebuilding Innovator of the Year', and at the 'British Home' Awards where the 'Innovation Award for Building Technology' was presented for the Group's Elektron development in London Docklands.

Environment

During the year the Government announced the requirement for all new homes to be zero carbon by 2016. Whilst this requirement will pose a challenge for all housebuilders, we are seeking to become industry leaders in this area and we will launch, later in the year, an environmental charter that sets out how we will reduce our own impact, improve the environmental quality of what we build and help our customers to reduce their impact.

Building upon the success of our seven home EcoSmart Show Village in Chorley, Lancashire (which included the latest energy efficient technologies) and as part of our commitment to zero carbon housing, we are to build the 'Green House' a prototype home using an award winning design developed by architects Gaunt Francis. The zero carbon home will be built at the Building Research Establishment's Innovation Park and will combine outstanding design, high standards of energy efficiency and the use of innovative microgeneration. It also includes recycled slag foundations, lime/hemp render walls and pitched roofs incorporating photovoltaic panels. The central heating will be controlled by a central computer system with internet linked energy efficiency appliances. We now have carbon saving measures on over 35 of our sites and have completed a review of how to improve the environmental impact of our existing housing designs.

We continue to build the majority of our developments on brownfield sites, with 78% of Barratt developments in the year being built upon brownfield land, which significantly exceeds the Government's target of 60%.

The Group continues to make progress in certifying our divisions to ISO14001 standard for Environmental Management. In last year's Annual Report we stated our target was that all of our divisions would have achieved ISO14001 status by 30 June 2007. This has been delivered and we are now beginning the process of certifying our newly acquired David Wilson Homes divisions, with a view to achieving ISO14001.

Health and Safety

As previously reported, the Group is saddened that a fatal accident occurred on a Barratt development on 26 September 2006. The accident took place at our Battersea Road development in London when a crane collapsed resulting in the tragic death of two people. The Group continues to cooperate with the ongoing Health and Safety Executive inquiry into the incident.

Notwithstanding this tragic event, we have continued to make good progress in the field of Health and Safety with a reduction in the number of reportable accidents to 643 per 100,000 persons employed in the housebuilding business, a reduction of 4.3% on the previous year. In addition, the average safety standard ratings achieved by the Group in the independent NHBC site surveys have continued to be ahead of the other housebuilders using this service.

The Group continues to make progress with the process of certifying our operating divisions under OHSAS18001 in Health and Safety. At 30 June 2007, 19 divisions were certified to this level and we have plans to certify another six divisions within the next year.

Corporate responsibility

As outlined in the sections above, the Group has continued to make good progress on corporate responsibility throughout the year. The Group has embedded its corporate responsibility strategy within Barratt operations and is now applying this in the newly acquired operations of the Group.



Top: Andrew and Margaret Kairu and their family at home in their five bedroom detached house at Highwood, Kenley Park; Barratt
Bottom: 'Headcorn' in Highwood, Kenley Park which won the Bronze Award for best house at the 'What House?' Awards; Barratt

Core strength: Our people and expertise



The quality of our people is critical to our future success. Through the integration with Wilson Bowden we have strengthened our top management team. Our construction teams have won 71 NHBC Quality Awards – more than any other builder. We are one of the industry leaders in terms of recruiting and training apprentices and have restructured our graduate recruitment scheme to ensure that we have the key resources in place to meet the challenges of the future housing market.

Top: On site at Great West Quarter, Brentford
Middle: Site manager at Aspects in Slough, Mr Ramakrishnan, wins NHBC Award
Bottom: Barratt sales advisor



Principal risks of the Group include, but are not limited to:

Risk	Mitigation
Residential property market	
Response to changes in the macroeconomic climate including buyer confidence and interest rates	The Executive Directors conduct a weekly meeting which reviews key trading indicators, including sales rates, visitor levels and levels of incentives and cash flow projections.
Provision of high quality product to maintain brand quality and minimise remedial costs	The Group has a comprehensive approach to quality enshrined in the 'Forward through Quality Initiative'.
Land	
Securing sufficient land of appropriate size and quality to provide profitable growth	Each division produces a monthly analysis of the amount of land currently controlled compared to their outline three year sales projections. These are consolidated upwards for regular review at Board level. In addition each operating division holds weekly land meetings. Every land acquisition is subject to a formal appraisal procedure and is required to achieve an overall hurdle rate of return.
Government regulation	
Length of time taken to obtain required planning and technical consents	The Group has considerable in-house technical and planning expertise devoted to achieving implementable planning consents.
Consequence of changes in tax legislation	Potential and actual changes in tax legislation are monitored by both our industry experienced in-house finance teams and our external tax advisors. The Group has adopted a low risk strategy to tax planning.
Construction	
Failure to identify and achieve key construction milestones	The Group's weekly reporting identifies the number of properties at key stages of construction. Projected construction rates are evaluated as part of the monthly forecasting cycle.
Management reporting fails to identify cost overruns leaving insufficient time to take remedial action	The total costs on every site in progress are evaluated once a quarter and reviewed by the divisional board meeting.
Innovative design and construction techniques are not employed	The Group ensures that it is at the forefront of design and construction techniques by a combination of: <ul style="list-style-type: none"> • in-house technical departments • the employment of external consultants • an ongoing commitment to building experimental house types
Health and Safety	The Group has a dedicated Health and Safety audit department which is independent of the management of the operating divisions.
Consideration of the impact of construction schemes upon the environment and social surroundings	The Group monitors a number of environmental impact indicators. The results of this appear in our Corporate Social Responsibility Report.
People	
Ability of the Group to attract and retain the best people	The Group has a comprehensive Human Resources policy in place which includes: <ul style="list-style-type: none"> • apprentice schemes • an extensive Graduate Recruitment Programme • succession planning • training schemes tailored to each discipline • the Group has set itself the target of having a fully carded workforce by 2010, under the Construction Skills Certification Scheme
Ensuring that the Group has a sufficiently skilled and experienced workforce	
Adequate succession planning to ensure that experience and knowledge of key management is retained within the business	
Defined benefit pension scheme to which the Group may be required to increase contributions to fund an increase in costs of future benefits and/or any future shortfall	An actuarial valuation is conducted every three years. The Group reviews this and considers if additional contributions are necessary to make good any shortfall.

The Group is proud to have gained entry to the FTSE4Good index during the year, which underpins our commitment to corporate responsibility.

Barratt is included in the 'Top 100 Companies that Count' list, which is part of the Corporate Responsibility Index and was judged by Business in the Community and the Sunday Times.

The Group's new corporate responsibility report will contain further details on our progress in corporate responsibility and will be found on the Group's investor relations website (www.barrattdevelopments.co.uk).

Group key risks

The Group's financial and operational performance is subject to a number of risks. The Board seeks to ensure that appropriate processes are put in place to manage, monitor and mitigate these risks which are detailed in the table on the left.

The Group recognises that the management of risk is fundamental to the achievement of Group targets. As such all tiers of management are involved in this process.

Outlook

We have already signalled that it would be prudent to assume that the cumulative impact of interest rate increases would result in the housing market tightening in 2007/8. The recent credit squeeze has further affected customer sentiment and pressure on lending institutions, has led to a tightening of lending criteria and mortgage availability.

It is not yet clear how quickly the market will recover but we have to assume that there will be downward pressure on volumes and price inflation in the short-term.

However, the market fundamentals remain strong with demand continuing to exceed supply with the Government intent on stimulating the sector by accelerating land availability.



123.8p*

Adjusted basic earnings per share
Increased 7.4% from 115.3p in 2006.

*Before restructuring costs of £26.2m
offset by related tax of £6.5m

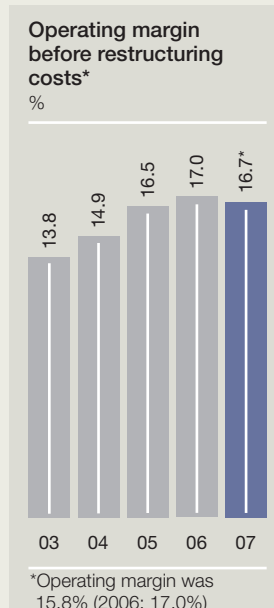
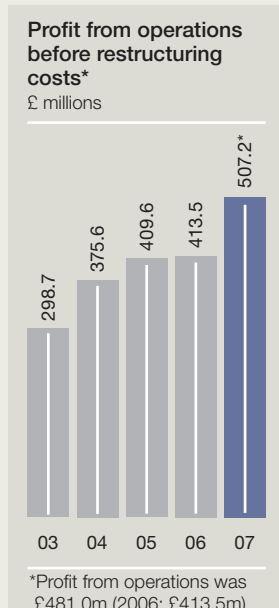
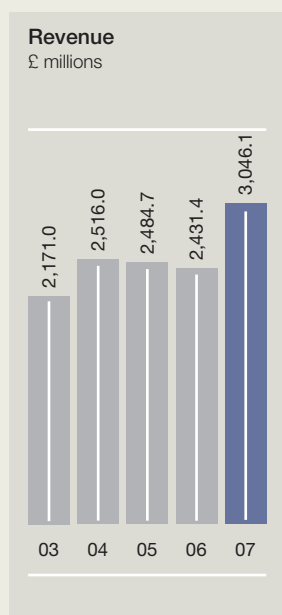
116.2p

Basic earnings per share
Increased from 115.3p in 2006.

Group Finance Director's review

The Group has delivered a strong performance in the year with growth in both revenue and completions. Key highlights are as follows:

- Revenue up 25.3% to £3,046.1m from £2,431.4m in 2006
- Barratt Homes revenue £2,666.5m up from £2,431.4m in 2006
- Wilson Bowden revenue since acquisition £379.6m
- Total completions 17,168 (2006: 14,601), up 17.6%, including 1,651 Wilson Bowden completions
- Profit from operations (before restructuring costs of £26.2m) £507.2m increased by 22.7% from £413.5m in 2006
- Profit from operations £481.0m (2006: £413.5m) up 16.3%
- Barratt Homes profit from operations (before restructuring costs of £13.1m) £440.2m up from £413.5m in 2006
- Wilson Bowden profit from operations (before restructuring costs of £13.1m) since acquisition £67.0m
- Operating margin (before restructuring costs) 16.7% broadly consistent with 2006 (17.0%)
- Operating margin was 15.8% (2006: 17.0%)
- Barratt Homes operating margin (before restructuring costs) 16.5% (2006: 17.0%)
- Wilson Bowden operating margin (before restructuring costs) since acquisition 17.7%
- Profit before tax £427.8m (2006: £391.4m), up 9.3%
- Adjusted earnings per share (before restructuring costs) 123.8p (2006: 115.3p)
- Basic earnings per share 116.2p (2006: 115.3p)
- Dividend per share up 15% for the full year to 35.68p (2006: 31.03p)



£427.8m

Profit before tax
Up 9.3% on 2006.

Note: 2003 and 2004 are presented under UK GAAP.

Acquisition of Wilson Bowden

The Group completed its acquisition of Wilson Bowden on 26 April 2007, at a cost of £2,049.6m, financed by cash and loan notes of £930.3m and £1,119.3m of shares. The acquisition has resulted in a fair value uplift in the value of Wilson Bowden's acquired balance sheet of £98.5m arising primarily from an increase in the value of inventory of £34.4m, the recognition of £107.0m of intangible assets related to the David Wilson Homes and Wilson Bowden Developments brands, a write off of £3.5m of goodwill, an adjustment to trade payables of £1.8m, offset by an additional deferred tax liability of £41.2m. The acquisition has resulted in the Group recognising £816.7m of goodwill.

The goodwill arising on acquisition relates to:

- the highly complementary geographical fit, which has enabled us to deliver synergies from the rationalisation of the number of operating divisions and consolidate central functions
- the acquisition of the skills and experience within the Wilson Bowden workforce
- an expanded consented land bank enabling increased operational flexibility
- increased access to commercial and mixed-use developments

- access to an expanded portfolio of strategic land and the expertise of Wilson Bowden strategic land teams.

The carrying value of goodwill of £816.7m is comfortably supported by the cash flows of the underlying business units.

During the year to 30 June 2007, the Group incurred £26.2m of one-off restructuring costs relating to the reorganisation of the two former businesses, including redundancies, office reorganisation costs and systems harmonisation. Further restructuring costs will be incurred in 2008, particularly on the

systems side, and we anticipate the overall cost will be in line with our original estimate of £35m.

Segmental analysis

Following the acquisition of Wilson Bowden, the Group has, for the first time, two segments, being housebuilding and commercial development. These segments reflect the different product offerings and market risks facing these areas of the business.

The table below shows the respective contributions from these segments to the Group.

Segmental analysis			
	Housebuilding £m	Commercial development £m	Total £m
Revenue	3,001.4	44.7	3,046.1
Profit from operations before restructuring costs	500.7	6.5	507.2
Profit from operations	475.1	5.9	481.0

Tax

The Group corporation tax charge for the year was £127.4m, an effective rate of 29.8%. This is lower than the standard rate of 30% due to the impact of the announced reduction in the corporation tax rate to 28% from April 2008 upon deferred tax, and the tax charge benefiting from employee share schemes relief and from contaminated land relief. Offsetting these benefits there has been an additional tax charge due to costs that are not allowable for tax purposes, including certain transaction related costs.

Dividend

At the half year, the Directors approved an increase in the interim dividend per share of 10% from 10.34 pence per share to 11.38 pence per share.

The Directors propose a final dividend per share of 24.30 pence, a 17.5% increase on the 2006 final dividend per share of 20.69 pence per share. This reflects our progressive dividend policy of reducing, over time, dividend cover towards around 2.5 times.

Balance sheet

The net assets of the Group increased by £1,371.1m to £2,911.0m. The increase in net assets is due to retained profits and the shares issued in the year. Significant movements in the balance sheet are:

- The Group's book value of land was £3,296.6m, an increase of £1,299.3m over 2006, of which £1,098.6m, at fair value, is due to the acquisition of Wilson Bowden. The remaining increase reflects our continued strategy to invest in sufficient land to drive organic growth.
- Work in progress of the Group at 30 June 2007 was £1,368.5m, an increase of £764.7m on 2006, of which £602.2m was due to the acquisition of Wilson Bowden. Against this, the Group had a strong forward sales position of £1,414m, which was 14.8% up on the combined Group at June 2006.
- Group net debt increased by £1,336.1m during the year, from net cash of £34.9m to net debt of £1,301.2m, of which £811.6m

was the cash outflow on acquisition, added to which there were loan notes issued of £101.6m and debt acquired of £332.7m.

- The Group recognised £816.7m of goodwill and £107.0m of intangible assets related to brands on its acquisition of Wilson Bowden.
- The pension fund deficit on the Barratt Homes defined benefit pension scheme included in the Group balance sheet reduced by £9.6m in the year to £78.3m, reflecting the additional contributions that the Group has been making to reduce the deficit.
- Other assets and liabilities have decreased by £290.1m during the year.

financing the Wilson Bowden acquisition and refinancing existing Wilson Bowden debt was £1,245.9m. To support the continuing acquisition of land and efficiently manage our balance sheet, we are targeting a funding level of around 2.5 times net debt/earnings before interest, tax, depreciation and amortisation (EBITDA).

At the year end, the Group's committed facility had an average life of 3.5 years and headroom of £1,162.4m. £800m of the facilities arranged to finance the Wilson Bowden acquisition was provided on a 364-day basis, but with the ability for the Group to extend the facility for a further twelve months and the Group aims to refinance these through the debt capital markets.

Borrowings, cashflow and treasury

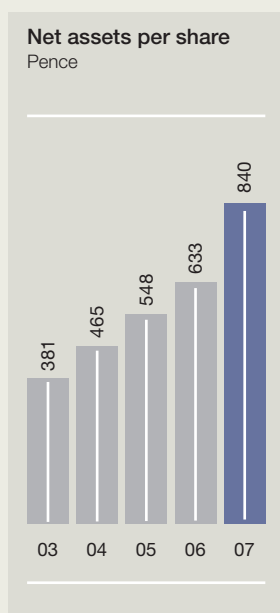
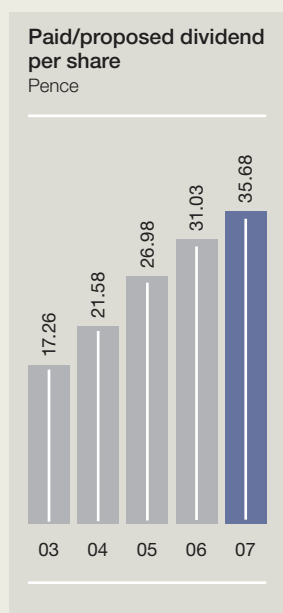
Group net debt at the year end was £1,301.2m. The increase in net debt in the year arising from

Group borrowings increased by £1,336.1m in the year from net cash of £34.9m to net debt of £1,301.2m. The reasons for the increase are:

	2007 £m	2006 £m
Net cash at start of year	34.9	276.9
Operating cash flow	139.5	(58.5)
Tax and net interest paid	(148.3)	(121.6)
Free cash flow	(8.8)	(180.1)
Acquisition of Wilson Bowden	(1,245.9)	-
Investments in joint ventures	(14.2)	-
Net fixed asset purchases	(4.6)	(1.3)
Dividends	(77.1)	(67.5)
Share issue and disposals	14.5	6.9
Net debt at end of period	(1,301.2)	34.9

An analysis of the Group's free cash flow is as follows:

	2007 £m	2006 £m
Operating profit	481.0	413.5
Total non-cash items	(7.6)	(14.3)
Working capital	(333.9)	(457.7)
Operating cash flow	139.5	(58.5)
Net interest paid	(27.8)	(8.7)
Taxation	(120.5)	(112.9)
Free cash flow	(8.8)	(180.1)



£2,911.0m

Net assets

Increased by 89% from £1,539.9m to £2,911.0m

The most significant increase in borrowings in the year was the acquisition of Wilson Bowden at £1,245.9m, consisting of the cash paid and loan notes issued as part of the consideration, transaction fees paid, plus debt and cash acquired. In addition, we have invested £14.2m in the year in joint ventures mainly undertaking urban regeneration activities.

There was an increase in net debt of £333.9m (2006: £457.7m) due to working capital movements. The majority of this increase was due to increased inventories, reflecting our continued land acquisition strategy and the additional work in progress requirements of the enlarged Group.

Other cash movements include net interest payments of £27.8m (2006: £8.7m), tax payments of £120.5m (2006: £112.9m), dividend payments of £77.1m (2006: £67.5m), proceeds from the issue of share capital and disposal of own shares of £14.5m (2006: £6.9m).

The Group has a centralised treasury operation into which all Wilson Bowden treasury operations have now been integrated.

The Board approves treasury policies and certain day-to-day treasury activities have been delegated to a Treasury Operating Committee that in turn regularly reports to the Board. The Group has a conservative treasury risk management strategy which includes a target for fixed rates of interest of 60-80% of year end debt. As at 30 June 2007 63.0% was fixed. The Group uses swaps and fixed rate debt instruments to fix interest rates. Net bank interest was 12.0 times covered (2006: 47.5 times covered).

Mark Pain
Group Finance Director
Barratt Developments PLC
26 September 2007

Board of Directors



01



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02



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01 Mr C G Toner

Chairman

Mr Toner 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. Age 65.

02 Mr M S Clare

Group Chief Executive

Mr Clare was appointed Group Chief Executive on 2 October 2006, replacing Mr D A Pretty. He was formerly an Executive Director of Centrica Plc and Managing Director of Centrica's British Gas Residential Energy operation. He joined British Gas in 1994, becoming Centrica's Finance Director in 1997 and Managing Director of British Gas Residential Energy in 2002. He was a Non-Executive Director of BAA Plc until it was recently acquired. Age 50.

03 Mr S J Boyes

Group Board Executive Director

Mr Boyes 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. Age 47.

04 Mr R MacEachrane

Non-Executive Director

Mr MacEachrane was appointed a Non-Executive Director on 1 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 and a Director of the National Centre for Excellence in Housing. Age 63.



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05 Mr R J Davies

Non-Executive Director
Mr Davies 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. He also chairs the Board of Governors of the University of Sunderland and was recently appointed Chairman of the Confederation of British Industry North-East Council. Age 58.

06 Mr M A Pain

Group Finance Director
Mr Pain was appointed an Executive Director on 1 March 2006 and assumed full responsibility as Group Finance Director on 1 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. Age 46.

07 Mr C Fenton

Group Board Executive Director
Mr Fenton 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. Age 49.

08 Mr M Pescod

Senior Independent Director
Mr Pescod was appointed a Non-Executive Director in October 2001. He is a founding partner of the investment bank Tricorn Partners LLP. Age 61.

09 Mr W Shannon

Non-Executive Director
Mr Shannon was appointed a Non-Executive Director on 1 September 2005. He is currently Non-Executive Chairman of Aegon UK PLC, a Non-Executive Director of Rank PLC and a partner with Tri-Artisan Partners Europe LLP. He was previously an Executive Director of Whitbread PLC from 1994 to 2004. Age 57.

10 Mr L Dent

Group Corporate Director and Company Secretary
Mr Dent was appointed Company Secretary and Group Corporate Director in January 2001. He is a solicitor and was previously Group Deputy Chief Executive of Home Group Limited, one of the largest housing associations in the UK. Age 55.

Statutory information

Activities of the Group

Barratt Developments PLC is the holding company of the Barratt Group of companies (the 'Group'). The Group's principal activities comprise housebuilding and development.

Results and dividends

The profit from continuing activities for the year ended 30 June 2007 was £300.4m (2006: £275.0m).

An interim dividend of 11.38p per share (2006: 10.34p) was paid on 25 May 2007 and it is proposed to pay a final dividend of 24.30p per share (2006: 20.69p) on 28 November 2007 to shareholders on the register at the close of business on 2 November 2007.

Annual General Meeting

The Annual General Meeting will be held at the Barber-Surgeons Hall, Monkwell Square, Wood Street, London EC2Y 5BL on 27 November 2007 at 2.30pm. The notice convening the Meeting is set out in a separate letter to shareholders.

Directors and their shareholdings

The Directors of the Group who held office at 30 June 2007 are listed on pages 26 and 27. In addition the following Directors retired during the financial year; Mr D A Pretty on 31 December 2006, Mr A E Kilburn on 28 November 2006, and Mr G K Hester on 8 January 2007.

The beneficial interests of the Directors and connected persons in the ordinary share capital of the Company at the beginning and end of the year are shown below:

Ordinary shares of 10p each	30 June 2007*		1 July 2006	
	Fully paid	Executive share options	Fully paid	Executive share options
Mr M S Clare	89,965	–	53,306	–
Mr S J Boyes	87,794	216,018	65,238	336,018
Mr C Fenton	25,214	115,101	9,973	195,376
Mr G K Hester	80,905	174,734	64,264	284,734
Mr M A Pain	25,000	–	25,000	–
Mr D A Pretty	137,177	191,759	115,325	371,759
Mr C G Toner	10,000	–	10,000	–
Mr R J Davies	1,000	–	1,000	–
Mr A E Kilburn	4,000	–	4,000	–
Mr R MacEachrane	–	–	–	–
Mr M Pescod	10,000	–	10,000	–
Mr W Shannon	5,034	–	2,000	–

* or date of retirement

No notification had been received of any change in the above interests during the period 30 June 2007 to 25 September 2007.

Details of movements in the Directors' interests in executive share options are shown in the Remuneration report on page 49.

Under the provisions of the Company's Articles of Association, Mr M Pescod, Mr R J Davies and Mr W Shannon will retire by rotation at the Annual General Meeting to be held on 27 November 2007 and being eligible will offer themselves for re-election at that meeting.

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.

Disclosure of information to auditors

So far as each of the Directors is 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.

Each of the Directors have taken all the relevant steps that he ought to have taken in accordance with his duty as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act.

Charitable and political contributions

During the year the Group made charitable donations of £22,900 (2006: £10,000). Of the donations in the current year £11,500 was to Business in the Community and the remainder was to local and good causes. No political contributions were made during the year.

Risk management objectives

The Group's operations and debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risks, liquidity risks and interest rates. The most significant of these to the Group is liquidity risk and as such there is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management so as to ensure that risks are promptly identified and appropriate actions taken by the central treasury department. In addition, the Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance in particular by using financial instruments, including debt and derivatives, to fix interest rates. The Group does not use derivative financial instruments for speculative purposes.

The Board of Directors is responsible for setting specific, clearly defined guidelines regarding treasury that are applied by the Group. A Treasury Operating Committee has been established which operates within specific parameters set by the Board and consists of any two of the Group Chief Executive, Group Finance Director and Group Treasurer. In addition, the Directors approve and review all facilities and derivative transactions that they have not delegated to the Treasury Operating Committee. The Group operates a central treasury department to implement the guidelines established by the Board, to which it reports regularly.

i) Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. The Group has a policy of maintaining both long-term fixed rate funding and medium-term floating rate funding so as to ensure that there is appropriate flexibility for the Group's operational requirements. In order to achieve this the Group has entered into swap arrangements to hedge cash flow risks relating to interest rate movements on a proportion of its debt. The Group has a policy that 60% - 80% of the forecasted debt for the year end is at a fixed rate, with an average minimum duration of five years and an average maximum duration of fifteen years.

ii) Credit risk

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The exposure to credit loss on cash and cash equivalents and trade and other receivables is equivalent to their balance sheet carrying value.

The Group has a credit policy that is limited to financial institutions with high credit ratings as set by international credit rating agencies. The Group only contracts derivative financial instruments with counterparties with which the Group has an ISDA Master Agreement in place. These agreements permit net settlement thereby reducing the Group's credit exposure to individual counterparties.

The Company was exposed to £8.4m (2006: £8.4m) of credit risk in relation to financial guarantees and the bank borrowings of subsidiary undertakings at the year end.

iii) Liquidity risk

The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. At 30 June 2007, the Group had committed facilities of £2,630.0m (2006: £400.0m) and total facilities of £2,786.3m (2006: £471.2m).

The Group's objective is to minimise refinancing risk. The Group therefore has a policy that the average maturity of its committed facilities and private placement notes is at least 3 years. At 30 June 2007, the average maturity of the Group's facilities was 3.5 years.

Likely future developments

An indication of likely future developments in the Group including in the field of research and development is given in the Business review on pages 14 to 21.

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 by the Company of 32 days (2006: 39 days) for its trade creditors at 30 June 2007.

Qualifying third party indemnity provisions

As at the date of this report, qualifying third party indemnity provisions under Companies legislation are in force under which the Company has agreed to indemnify the Directors, former Directors who held office during the year ended 30 June 2007 and the Company Secretary of the Company, Directors and former Directors who held office during the year ended 30 June 2007 of any member of the Group or of an associated company or affiliate company and members of the Executive Committee, to the extent permitted by law and the Company's Articles of Association against all liability arising in respect of any act or omission in their duties.

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 and the Group's joint brokers, Credit Suisse Securities (Europe) Limited and UBS Investment Bank. The 'investor relations' website (www.barrattdevelopments.co.uk) provides a full Company profile, regular corporate news updates, access to the Company's 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 in excess of 70 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, Credit Suisse Securities (Europe) Limited 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.

The Group Finance Director presents regular reports to the Group Board on the Company's investor relations activities to ensure that they have a clear understanding of the views of major shareholders.

Major shareholders

The following substantial interests (3% or more) in the Company's share capital had been notified to the Company as at 25 September 2007.

Date	Name	Direct		Indirect		Total	
		Shares	%	Shares	%	Shares	%
24/09/2007	Aviva Plc	13,664,006	3.94	not disclosable	–	13,664,006	3.94
17/05/2007	Lloyds TSB Group Plc	10,783,184	3.11	95,986	0.03	10,879,170	3.14
02/05/2007	FMR Corp	–	–	26,116,198	7.53	26,116,198	7.53
01/05/2007	Mr D Wilson	19,431,213	5.61	–	–	19,431,213	5.61
08/02/2007	Legal and General Group Plc	8,312,636	3.41	–	–	8,312,636	3.41
07/02/2007	J P Morgan Chase & Co.	–	–	18,784,735	7.71	18,784,735	7.71
19/12/2006	Putnam Investments	–	–	–	–	9,664,935	3.97
01/09/2006	Sprucegrove Investment Management Limited	–	–	–	–	7,278,084	3.00

Shareholder authority for purchase of own shares

Details of the shareholder authority for purchase by the Company of its own shares put in place at the Annual General Meeting held on 28 November 2006, which remained valid at the end of the period under review, are set out in 'Additional information for shareholders' under the heading 'Repurchase of shares' on page 39. No purchases had been made under this authority as at the date of this report. A resolution renewing the authority will be proposed at the Annual General Meeting to be held on 27 November 2007.

Shareholder arrangements to waive dividends

The trustees of the Barratt Developments Employee Benefit Trust (EBT) have agreed to waive any right to all or any future dividend payments on shares held within the EBT except in certain limited circumstances none of which are currently applicable. Details of the shares so held are set out in note 25 to the financial statements.

Post balance sheet event

On 23 August 2007, the Company issued \$200.0m of US Dollar denominated private placement notes with a maturity of ten years. The notes were swapped into Sterling to avoid foreign exchange exposure.

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 with Code provisions

The Company is committed to the highest standards of corporate governance. Throughout the year ended 30 June 2007 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 and the end of the year the Company achieved a balanced and independent Board as required by the Code. Due to the order in which Directors were appointed to, and retired from, the Board the Company did not maintain this balance, as required by the Code, between 2 October 2006 and 8 January 2007.

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 Toner, as Chairman of the Board, stepped down from membership of the Committee on 18 November 2005 and was re-elected a member on 11 May 2007 in preparation for the implementation of the Combined Code 2006, which will apply to the reporting period beginning 1 July 2007, and which permits the Chairman to be a member of the Committee.

The Board

The Company is led and controlled by the Group Board. The names and descriptions of the Group Board Directors are set out on pages 26 and 27 of this report.

At the end of the financial year the Board comprised nine members, including the Chairman, four Non-Executive Directors and four Executive Directors. 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.

In accordance with best corporate governance practice, the Company's Articles of Association require one-third of the current Directors to retire at each Annual General Meeting. Accordingly, Mr M Pescod, Mr R J Davies and Mr W Shannon will all retire by rotation and put themselves forward for re-election at this year's Annual General Meeting in accordance with the relevant provisions of the Articles.

Mr M Pescod has been a Non-Executive Director since October 2001 and, as a result and in compliance with the Combined Code on Corporate Governance, his re-appointment as a Non-Executive Director has been subject to particularly rigorous review.

Following a formal evaluation process, the Company believes that the performance of each of the retiring Directors continues to be effective and they demonstrate commitment to their role.

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 or judgement.

The division of responsibility between the Chairman of the Board, Mr C G Toner, and the Group Chief Executive, Mr M S Clare, 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 Group Chief Executive have failed adequately to address. The current Senior Independent Director, Mr M Pescod, took over from Mr A E Kilburn on his retirement on 28 November 2006.

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

Board process

The Board has overall authority for the conduct of the business. During the year the terms of reference for the Board, including those matters specifically reserved to the Board, were reviewed and updated in line with best practice. The Board's responsibilities include:

- determination of strategy and plans to achieve the Company's objectives
- determination of policy and the overall direction of the Company
- approval of the Group report and accounts prior to publication
- establishment of effective systems of delegation and internal control and the annual review of their effectiveness
- authorising material acquisitions, disposals, investments, capital projects and other significant transactions
- monitoring the Group's overall performance in relation to its strategies, plans, budgets and decisions

In January 2007, the Board met for a full day to review and develop the overall business strategy of the Group.

In the week prior to each 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 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.

The Board met nine times during the year, including two special meetings related to the acquisition of Wilson Bowden. Attendance at Board Meetings is shown in the table on page 35. Any Director who did not attend a meeting presented his apologies and provided his views to the Chairman ahead of the meeting having reviewed the reports and management information.

Board Committees

The Board has established four standing Committees, the Executive Committee, the Audit Committee, the Remuneration Committee and the Nominations Committee. During the year the terms of reference for all the Committees were reviewed and updated in line with best practice and approved by the Board. Terms of reference for the Audit, Remuneration and Nominations Committees are available on our corporate website. Membership and attendance of each Committee is shown in the table on page 35. Any Director who did not attend a meeting presented his apologies and provided his views to the Chairman ahead of the meeting having reviewed the reports and management information.

Executive Committee

The Board delegates management of the business to the Executive Committee, which is led by the Group Chief Executive. In addition to the Directors identified in the table on page 35 and Mr L Dent, the Group Corporate Director and Company Secretary, the Executive Committee has been enhanced this year with the appointment of Mr N Richardson, Managing Director Wilson Bowden Developments, Mr P Law, Group Director of Corporate Affairs and Mrs J Mee, Group Human Resources Director. The Executive Committee's principal responsibilities include:

- 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

All members of the Audit Committee are wholly independent Non-Executive Directors in accordance with Code provision C.3.1. The Board is satisfied that at least one member of the Committee has recent and relevant financial experience.

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.

Under its terms of reference the Audit Committee's principal responsibilities are:

- monitoring the integrity of the Group's financial statements and any formal announcements relating to the Group's performance, and reviewing and challenging where necessary the consistency of, and changes to, accounting policy
- monitoring the effectiveness, 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
- monitoring the Group's financial management and reporting systems and for assessing the integrity and effectiveness of its accounting procedures, system of internal control and the process for identifying and monitoring the risks facing the Group
- reviewing and monitoring the effectiveness of the internal audit function, the annual internal audit plan and all reports produced by the internal auditor and management's responsiveness to the findings and recommendations of the internal auditor
- reviewing whistleblowing procedures and ensuring arrangements are in place for proportionate and independent investigation and follow up action

As well as carrying out the work associated with the annual financial reporting cycle the Audit Committee completed significant areas of work during the year including further development of risk management systems and the external review of internal control systems as a consequence of the new Group structure following the acquisition of Wilson Bowden. The Audit Committee is currently reviewing recommendations for the appointment of the external auditor for the next year.

The Company's Auditor, PricewaterhouseCoopers LLP, provided non-audit related services during the year related to the acquisition of Wilson Bowden. Auditor objectivity and independence was maintained by the provision of non-audit related services from a separate office under the supervision of a separate partner from that providing audit related services.

Remuneration Committee

Following the retirement of Mr A E Kilburn on 28 November 2006, Mr R J Davies was appointed Chairman of the Remuneration Committee. Following the amendments to the Combined Code, published in 2006, the Chairman of the Board, being considered independent on appointment as Chairman, was appointed a member of the Remuneration Committee.

All members of the Committee are considered by the Company to be wholly independent in accordance with Code provision B.2.1. The Remuneration Committee's principal responsibilities include:

- determining and reviewing 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 options, long-term performance plans and cash based bonus incentive schemes and the specific awards, grants and payments made under any such schemes
- determining and reviewing the overall remuneration policy of the Group
- agreeing severance arrangements for Directors on early termination of contract

During the year the Remuneration Committee reviewed the remuneration structure for divisional directors and integration of remuneration policy following the acquisition of Wilson Bowden.

Nominations Committee

The Nomination Committee's principal responsibilities include:

- regularly reviewing the structure, size and composition required of the Board and succession planning for Directors and senior executives
- identifying and nominating candidates to fill Board vacancies and evaluating the role and capabilities required for a particular appointment
- reviewing the performance of the Board

During the year the Committee reviewed the performance of Executive and Non-Executive Directors and completed a review of succession plans for the Board.

The letters of appointment of the Non-Executive Directors are available for inspection by any person at the Company's registered office during normal office hours and at the Annual General Meeting for 15 minutes prior to the meeting and during the meeting.

Attendance at Board and Committee Meetings

Name	Group Board*	Executive Committee	Audit Committee	Remuneration Committee	Nominations Committee
Mr M S Clare ¹	7/7	Chairman 9/9	–	–	–
Mr M A Pain	9/9	12/12	–	–	–
Mr S J Boyes	9/9	12/12	–	–	–
Mr C Fenton	9/9	12/12	–	–	–
Mr C G Toner	Chairman 9/9	–	–	2/2	Chairman 1/1
Mr R J Davies	9/9	–	3/5	Chairman 4/5	1/1
Mr W Shannon	8/9	–	5/5	4/5	1/1
Mr R MacEachrane	9/9	–	4/4	5/5	1/1
Mr M Pescod	9/9	–	Chairman 5/5	5/5	1/1
Mr A E Kilburn ²	3/4	–	2/2	2/3	1/1
Mr D A Pretty ³	4/4	5/5	–	–	–
Mr G K Hester ⁴	4/4	6/6	–	–	–

¹ Mr M S Clare appointed Group Chief Executive 2 October 2006

² Mr A E Kilburn retired from the Board on 28 November 2006

³ Mr D A Pretty retired from the Board on 31 December 2006

⁴ Mr G K Hester retired from the Board on 8 January 2007

* Includes two special meetings in relation to the acquisition of Wilson Bowden.

/9 Indicates number of meetings held

9/ Indicates number of meetings attended

Board achievement, performance evaluation and training

The procedure for appointment of new Directors to the Board is overseen by the Nominations Committee. 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 at the Annual General Meeting. The names of the Directors subject to re-election at this year's Annual General Meeting are set out on page 32. Non-Executive Directors are appointed for a three year term and normally serve a second three year term subject to performance review and re-election. Beyond this a third three year term may be served subject to rigorous review.

During the year a formal and structured process of evaluation of the performance of the Board, its Committees and individual Directors was undertaken by the Nominations Committee under the leadership and direction of the Chairman, based on the guidance set out in the Higgs Report 'Review of the Role and Effectiveness of Non-Executive Directors'.

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 year for itself, its Committees, for the Group 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.

The Board 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 Group Chief Executive was appraised by the Chairman and the performance of the Executive Team by the Group 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 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 the number of Board meetings has been increased to eight per year, a detailed and comprehensive shareholder relations and communication plan has been developed and steps are being taken to increase the amount of time available to focus on strategy.

Employment policy and involvement

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 existing or potential staff irrespective of gender, race, ethnic origin, colour, religion, physical disability, marital status, sexual orientation or age. Every effort is made to retrain and support employees who become disabled while working with the Group.

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. This year the Group further developed its graduate recruitment and training programme designed to identify and promote the senior management of the future. 54 graduates were selected and began their training across all areas of the business on 1 September 2007.

This year the Group's human resources team, who provide our divisional management teams with advice on how to deliver best practice in terms of employment procedure and Group human resources policies, has been strengthened with several senior appointments including a new Human Resources Director, Mrs J Mee and Head of Talent, Mr G Jones. The human resources team has also helped to deliver strategic programmes such as our new Performance Development Review and Management Development programmes.

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.

During the year the Group created a website called 'Getting Together' to provide employees with information on the integration of the Wilson Bowden business into the Barratt business. Employees also receive an electronic newsletter every two to three weeks with integration updates and have received a DVD explaining the Group's recent achievements and future marketing strategy.

The Group newsletter, 'Developing Times', which is published quarterly, is being revised to reflect the enlarged Group following the acquisition of Wilson Bowden, and will be distributed to all employees; and all employees joining the Group receive a full day corporate induction.

The integration of the Wilson Bowden business following its acquisition has been managed by an integration team that includes employees drawn from all areas of the business.

Reporting responsibilities

The Directors are responsible for:

- keeping proper accounting records, which disclose with reasonable accuracy the financial position of the Company and Group at any time and from which financial statements, and the Directors' Remuneration Report, can be prepared to comply with the Companies Act 1985, Article 4 of the IAS Regulation and the Combined Code on Corporate Governance
- preparing financial statements for each financial period which give a true and fair view, in accordance with IFRS as adopted by the European Union and IFRS issued by the International Accounting Standards Board, and on a going concern basis, unless it is inappropriate to presume that the Group will continue in business
- taking reasonable steps to safeguard the assets of the Company and the Group and for the detection of fraud and other irregularities.

The responsibilities of the auditors in relation to the financial statements are set out in the Independent auditors' report (pages 89 and 90).

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 30 June 2007.

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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

After making due enquiries the Directors have a reasonable expectation that the Company and the Group have 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 and reviewed the effectiveness of the Group's system of internal controls 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.
- extensive 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 and the integration of Barratt Developments PLC with Wilson Bowden 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, and necessary actions are taken to remedy any failings in the internal control system.

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 internal control and risk management has been enhanced by updating and embedding the risk register, implementing a process of control self certification and appointing regional finance directors.

On behalf of the Board

Mr L Dent

Company Secretary

26 September 2007

Additional information for shareholders

The following description summarises certain provisions of the current Articles of Association (as adopted by special resolution on 17 November 2005 (the 'Articles') of Barratt Developments PLC (the 'Company') and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006, together the 'Companies Acts')). This is a summary only and the relevant provisions of the Companies Acts or the Articles should be consulted if further information is required. Certain amendments will be proposed to the Articles at the Annual General Meeting on 27 November 2007, brief details of which are set out below. Further details are set out in the notice of the Annual General Meeting and copies of the Company's current Articles of Association, together with copies marked up to show the proposed amendments are available for inspection at the Company's registered office.

Share capital

The Company has a single class of share capital which is divided into ordinary shares of 10 pence each. The shares are in registered form.

Rights and obligations attaching to shares

Subject to applicable statutes and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board (as defined in the Articles) may decide. Subject to the Articles, the Companies Acts and other shareholders' rights, unissued shares are at the disposal of the Board. At each Annual General Meeting the Company puts in place annual shareholder authority authorising the Company's Directors to allot unissued shares, in certain circumstances for cash, in accordance with the guidelines of the Investor Protection Committees.

Voting

Subject to any rights or restrictions attaching to any class of shares, every member present in person at a general meeting or class meeting has, upon a show of hands, one vote. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of votes of the other joint holders and seniority shall be determined by the order in which the names stand in the register in respect of the joint holding. Under the Companies Acts members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The Articles currently only entitle proxies to vote on a poll, whereas the Companies Acts now entitle proxies to vote on a show of hands. It is therefore proposed to amend the Articles at the Annual General Meeting on 27 November 2007 to reflect this change in legislation. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meetings as a corporate representative. Where more than one corporate representative has been appointed, any one of them is entitled to vote and exercise other powers on behalf of the member at a general meeting or class meeting, but in the event that the representatives' votes or other powers conflict, the power is treated by the Company as not having been exercised and the member will be deemed to have abstained from exercising its votes or powers.

Restrictions on voting

No member shall be entitled to vote at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. Currently, all issued shares are fully paid. In addition, no member shall be entitled to vote if he has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

Deadlines for voting rights

Votes are exercisable at the general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representative. Under the Companies Acts, the deadline for delivering proxy forms cannot be earlier than 48 hours (excluding non-working days) before the meeting for which the proxy is being appointed. The Articles however, provide a deadline for submission of proxy forms of not less than 48 hours (or such shorter time as the Board may determine) before the meeting (not excluding non-working days).

Dividends and distributions

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

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

Liquidation

Under the Articles on a liquidation, the liquidator may, with the sanction of an extraordinary (or special) resolution of the Company and any other sanction required by the Companies Acts, divide among the members (excluding any members holding shares as treasury shares) in kind all or part of the assets of the Company (whether they shall consist of property of the same kind or not). It is proposed to amend the Articles at the Annual General Meeting on 27 November 2007 to remove this provision as it is a reflection of applicable legislation and contains references to extraordinary resolutions, which is a concept not being retained in the Companies Acts.

Variation of rights

Subject to the Companies Acts, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of an extraordinary (or special) resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting (except an adjourned meeting) the quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them. However, because of the reference to extraordinary resolutions, which is a concept not being retained in the Companies Acts, and since the proceedings and specific quorum requirements for meetings convened to vary class rights are contained in the Companies Acts, it is proposed to amend the Articles at the Annual General Meeting on 27 November 2007 to remove these provisions from the Articles.

Transfer of shares

Any shares in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Provisions of the Articles do not apply to any uncertificated shares to the extent that such provisions are inconsistent with the holding of shares in uncertificated form or with the transfer of shares by means of a relevant system. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the Uncertificated Securities Regulations (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer must be executed by or on behalf of the transferor and (in the case of a partly-paid share) the transferee. The transferor of a share is deemed to remain the holder until the transferee's name is entered into the register. The Board may, in its absolute discretion and without giving any reason, decline to register any transfer of any share which is not a fully paid share. The Board may also decline to register a transfer of a certificated share unless the instrument of transfer: (i) is duly stamped or certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require; (ii) is in respect of only one class of share; and (iii) if joint transferees, is in favour of not more than four such transferees.

The Board may decline to register a transfer of any of the Company's certificated shares by a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).

Repurchase of shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Acts. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued share capital. The Company currently has authority to buy back up to 24,315,195 ordinary shares during the period up to the next Annual General Meeting. The minimum price which must be paid for such shares is 10 pence and the maximum price payable is an amount equal to the higher of: (i) 105% of the average of the closing middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five immediately preceding business days; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange at the time the purchase is carried out.

Amendment of Articles of Association

Any amendments to the Articles of the Company may be made in accordance with the provisions of the Companies Acts by way of special resolution. A resolution will be put to the Annual General Meeting to be held on 27 November 2007 to amend the Articles. The proposed changes to the Articles derive from the Companies Act 2006 with the exception of the proposed amendment regarding retirement of Directors at the age of 70, which derives from the Employment Equality (Age) Regulations 2006. The Companies Act 2006 was enacted on 8 November 2006 and is being implemented in stages. Since a number of significant changes arising from the Companies Act 2006 will not come into force until October 2008, the Company has decided at this stage to make only a small number of changes to the Articles to reflect some of the more permissive provisions of the Act which will already be in force when this year's Annual General Meeting is held. Details of the specific changes being proposed are set out in full in the explanatory notes to the separate notice convening the Annual General Meeting.

Appointment and replacement of Directors

Directors shall be no less than two and no more than fifteen in number. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next following Annual General Meeting and is then eligible for election by the shareholders but is not taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting. The Board may from time to time appoint one or more Directors to hold employment or executive office for such period (subject to the Companies Acts) and on such terms as they may determine and may revoke or terminate any such appointment. Currently, under the Articles, no person is capable of being appointed a Director if at the time of his appointment he has attained the age of 70 years and any Director is required to vacate office at the conclusion of the Annual General Meeting commencing after he attains the age of 70 years. However, the age limit of 70 years is no longer appropriate following the enactment of the Employment Equality (Age) Regulations 2006 and the repeal of section 293 Companies Act 2006, which took effect on 6 April 2007. Therefore the amendments to the Articles to be put to the 2007 Annual General Meeting will remove this requirement.

At every Annual General Meeting of the Company, a minimum of one-third of the Directors shall retire by rotation. The Directors to retire by rotation shall be those who held office at the time of the two preceding Annual General Meetings and who did not retire at either of them. If the number so retiring is less than the minimum number of Directors required to retire, additional Directors up to that number shall also retire. The additional Directors to retire shall be those who have been longest in office or, in the case of those who were appointed or reappointed on the same date, shall be determined by lot. Any Director who has held office for a continuous period of nine years or more shall also retire. The Company may by special resolution remove any Director before the expiration of his term of office. The office of Director shall be vacated if: (i) he resigns or offers to resign and the Board resolves to accept such offer; (ii) his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; (iii) he is or has been suffering from mental ill health; (iv) he is absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that his office is vacated; (v) he becomes bankrupt or compounds with his creditors generally; (vi) he is prohibited by law from being a Director; (vii) he ceases to be Director by virtue of the Companies Acts; or (viii) he is removed from office pursuant to the Articles.

Powers of the Directors

Subject to the Company's Memorandum of Association, the Articles, the Companies Acts and any directions given by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertaking, property, assets and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company to any third party.

Shares held in the EBT

The Trustees of the Barratt Developments Employee Benefit Trust (EBT) may vote or abstain from voting on shares held in the EBT in any way they think fit and in doing so may take into account both financial and non financial interests of the beneficiaries of the EBT or their dependents.

Significant agreements

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

- under the £2,150,000,000 credit facilities agreement dated 5 February 2007 (as amended) and the £400,000,000 revolving credit facility agreement dated 2 February 2005 (as amended) between, amongst others, the Company, Lloyds TSB Bank Plc (as the facility agent) and the banks and financial institutions named therein as lenders (together, the 'Credit Facilities'), the facility agent must, upon a change of control, cancel the total commitments of the lenders under such Credit Facilities and declare all outstanding credits, together with accrued

interest and any other amounts payable in respect of such Credit Facilities, to be immediately due and payable. For these purposes, a 'change of control' occurs if any person or group of persons acting in concert gains control of the Company.

- under the privately-placed notes amounting in aggregate to \$200,000,000 (the 'Dollar Notes') issued pursuant to a note purchase agreement dated 23 August 2007 by the Company to various institutions, the holders of Dollar Notes have an option to require the Company to prepay the entire unpaid principal amount of Dollar Notes held by each holder (at par), together with interest accrued thereon.
- under the privately-placed notes amounting in aggregate to £80,000,000 (the 'Sterling Notes') issued pursuant to note purchase agreements dated 23 August 2007 and 29 August 2007 to various institutions, the holders of Sterling Notes have an option to require the Company to prepay the entire unpaid principal amount of Sterling Notes held by each holder (at par), together with interest accrued thereon and a 'make-whole' amount in respect of any repayment occurring during an interest period.

Under the terms of the note purchase agreements in respect of the Dollar Notes and the Sterling Notes, a 'change of control' occurs if any person or group of persons acting in concert acquires beneficial ownership of more than 50% of the issued share capital of the Company carrying voting rights.

The Report of the Directors from pages 4 to 49 is signed on behalf of the Board by:

Mr L Dent
Company Secretary
26 September 2007

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
- the evaluation of Executive Director performance with regard to the award of share options, annual bonus and other performance based remuneration
- obtaining independent professional advice in relation to Executive Director remuneration

Membership and proceedings of the Remuneration Committee

Membership and attendance of the Remuneration Committee is described on page 35 of the Report of the Directors. All Committee members are 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.

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 through regular dialogue with institutional investors. 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 solicitor and Mrs J Mee, the Group Human Resources Director. 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, Taylor Woodrow, George Wimpey and Bellway.

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

Remuneration policy

Each year the Remuneration Committee reviews the policy on executive remuneration in the context of the business environment, best practice and market trends. There have been a number of important changes within the Group during the year under review. These changes include the appointment of a new Group Chief Executive, the retirement of a number of Executive and Non-Executive Directors, a significant acquisition and the inclusion of the Group in the FTSE 100 index. In light of these changes following the review a number of changes in practice have been adopted which are described in this Remuneration report. Although there have been some changes in the structure of executive remuneration the underlying principles remain the same, namely 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

Central to the Group remuneration policy is recognition that the sustained growth and profitability of our business is determined in no short measure by the skill and commitment of the executive team. The reward policy for Executive Directors seeks to provide remuneration and other service conditions which will attract, retain, motivate and reward Executive Directors of the highest calibre within the industry's highly competitive employment market. Within these broad objectives the executive remuneration package is based on the following principles:

- the greater part of remuneration paid to executives should be linked to the achievement of demanding performance targets; currently over 50% of the total executive remuneration package is performance based

- performance related remuneration should align the interests of executives with those of shareholders by setting performance targets based on measures of shareholder return
- total remuneration for outstanding performance should be competitive with that available elsewhere in the sector

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 to competitive market practice. As part of the review carried out the Committee looked at the market rate for similar positions in large national housebuilding companies, and also, for the first time, for companies ranked 51-100 in the FTSE index. It is felt that this provides a broader perspective on pay, although the primary comparator group remains the housebuilding companies. The changes to salary agreed by the Committee reflect a significant increase in accountabilities for each position. Salary increases take effect from 1 July 2007 and details are shown in the table below.

	1 July 2007 £ per annum	1 July 2006 £ per annum
Mr M S Clare	630,000	–
Mr S J Boyes	350,000	309,000
Mr C Fenton	350,000	309,000
Mr M A Pain	350,000	309,000

Annual profit related bonus

The annual bonus is dependent upon the achievement of demanding financial objectives and key strategic measures for the business, set annually by the 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. Previously there was no cap to the bonus payment. If actual performance falls below 80% 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. With effect from 1 July 2007 the minimum target below which no bonus is payable was raised to 90% and the maximum target was reduced to 110%.

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 on page 44.

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 1 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 1 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 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 Annual General Meeting, and for awards made in 2006 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 plus 18% and 10% will vest if EPS growth exceeds the RPI plus 9%; for performance in between the award will vest on a straight line basis.

For the TSR portion of the award a peer group will be 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 straight line basis.

The Remuneration Committee has reviewed these targets in the light of current circumstances and has agreed a change to the comparator group for the portion of the award based on TSR. The rationale for this is twofold: the decrease in the number of listed housebuilding companies which are appropriate comparators; and the Group's inclusion in the FTSE 100 index. For awards made during 2007 and thereafter the comparator group will comprise those companies ranked 51-100 in the FTSE index. The Committee believes that this will more closely align the interests of Executive Directors with those of shareholders.

The Committee also considered whether the comparator group used for the TSR portion of awards made in 2005 and 2006 remains a robust measure of the Group's performance, given that the comparator group now comprises only eight companies. It concluded that the measure remains robust, but it will continue to review this decision during the life of these awards.

Pension benefits

Mr S J Boyes and Mr C Fenton are members of the Group's defined benefit pension scheme, which is now closed to new entrants.

The scheme entitles Mr S J Boyes 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 dependants' 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 entitlement of Mr C Fenton is restricted by the earnings cap imposed under the Finance Act 1989, for service up to 5 April 2006.

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 1 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 scheme Mr M S Clare receives a cash supplement equal to 30% of base salary per annum, and Mr M A Pain receives a cash supplement equal to 25% of base salary per annum. These cash allowances are in line with competitive market practice.

Service contracts

All Executive Directors are engaged on identical terms on the basis of one year rolling contracts which can be terminated by twelve months notice given by the Company or by twelve 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 Director's service contracts:

Executive Directors	Service contract date	Effective date	Notice period
Mr M S Clare	26 June 2006	2 October 2006	12 months
Mr S J Boyes	25 June 2001	1 July 2001	12 months
Mr C Fenton	1 July 2003	1 July 2003	12 months
Mr M A Pain	23 January 2006	1 March 2006	12 months

Non-Executive Directors' remuneration

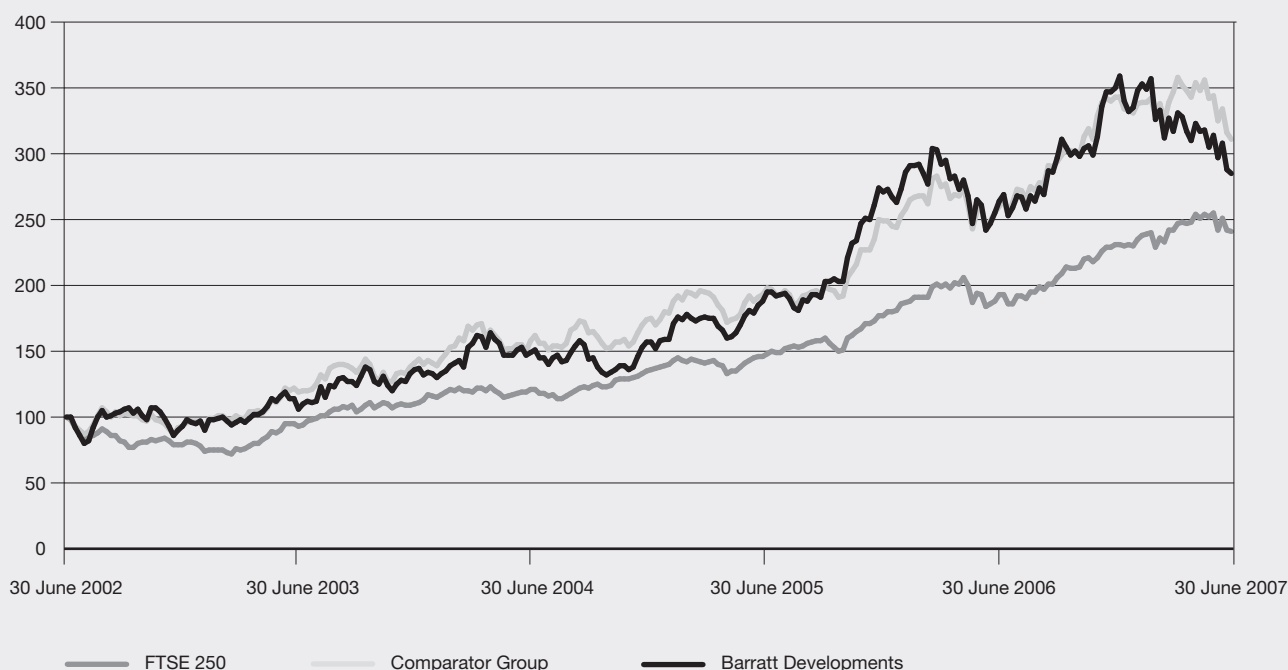
The remuneration of the Non-Executive Directors is set by the Board on the recommendation of a Committee of Executive Directors and having regard to published data for the remuneration of Non-Executive Directors in listed companies. The remuneration of the Chairman is set by the Board on the recommendation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

The Chairman and the Non-Executive Directors are appointed under terms set out in a letter of appointment. They do not have service contracts and their appointments can be terminated (by the Board) at any time without notice and without compensation for loss of office. Under governance policies approved by the Board, Non-Executive Directors are appointed for a three year term and usually serve a second three year term subject to performance review and re-election. Beyond this a third three year term may be served subject to rigorous review. The Articles of Association will be amended at the next Annual General Meeting to remove the maximum upper age limit of 70 years which applies to all Directors.

Non-Executive Directors	Date of last re-election at Annual General Meeting	Date of appointment
Mr C G Toner	17 November 2005	15 May 2002
Mr R J Davies	11 November 2004	5 May 2004
Mr R MacEachrane	28 November 2006	1 May 2006
Mr M Pescod	11 November 2004	1 October 2001
Mr W Shannon	17 November 2005	1 September 2005

Total Shareholder Return performance graph

The following graph prepared in accordance with the Regulations shows the Group Total Shareholder Return 'TSR' performance over the last five years against the FTSE 250 and a comparator index of listed housebuilders. From 1 July 2007 the Comparator Group has consisted of a peer group of listed housebuilders comprising Barratt Developments, Bovis Homes Group, Bellway, Crest Nicholson, Berkeley Group, George Wimpey, McCarthy and Stone, Taylor Woodrow, Persimmon, Wilson Bowden and Redrow. The Comparator Group in the TSR graph below was the peer group for all five years. Prior to 1 July 2007 the Comparator Group was the FTSE Construction and Building Materials Sector Index. The Board has chosen these comparator indices as the Group and its major competitors are constituents of one or both of these indices.



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 Director's shareholding relative to basic salary, the share price shall be that prevailing on 30 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 31 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

					2007	2006	2007	2006
	Salary/ fee £000	Pension compensation £000	Performance related £000	Benefits £000	Total £000	Total £000	Gain on exercise of share options £000	Gain on exercise of share options £000
Mr M S Clare*	435	131	598	26	1,190	–	–	–
Mr S J Boyes	309	–	425	23	757	749	792	–
Mr C Fenton	309	–	425	36	770	787	442	93
Mr G K Hester*	163	41	224	13	441	803	653	266
Mr M A Pain	309	77	425	28	839	261	–	–
Mr D A Pretty*	261	131	340	21	753	1,456	990	749
Mr C G Toner	155	–	–	–	155	150	–	–
Mr R J Davies	39	–	–	–	39	34	–	–
Mr A E Kilburn*	18	–	–	–	18	42	–	–
Mr R MacEachrane	35	–	–	–	35	6	–	–
Mr M Pescod	42	–	–	–	42	40	–	–
Mr W Shannon	35	–	–	–	35	29	–	–
Total	2,110	380	2,437	147	5,074	4,357	2,877	1,108

*These figures relate only to the period of office served as a Director during the year.

In addition Mr M S Clare received £385,270 in the form of Barratt Shares as compensation for the loss of benefit under his previous employer's long-term incentive and share option plans. This figure was calculated independently on a fair value basis.

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

Long-Term Performance Plan notional share awards

	Maximum number of shares subject to an award			Total
	2007	2006	2005	
Mr M S Clare	111,861	–	–	111,861
Mr S J Boyes	59,595	77,493	43,706	180,794
Mr C A Dearlove*	–	72,693	41,084	113,777
Mr C Fenton	59,595	77,493	43,706	180,794
Mr G K Hester	59,595	77,493	43,706	180,794
Mr M A Pain	59,595	80,000	–	139,595
Mr D A Pretty	–	135,333	72,815	208,148
Mr H Walker*	–	92,800	52,448	145,248
Total	350,241	613,305	297,465	1,261,011

*Mr C A Dearlove and Mr H Walker who retired on 30 June 2006 are eligible for the 2005 and 2006 awards under the Long-Term Performance Plan pro rata to their length of service during the performance period.

The 2005 award which vests this year will be 10% of the maximum as the EPS target was not achieved and TSR achieved median performance against the comparator Group.

Directors' pension benefits

	Increase/(decrease) in accrued pension over the year to 30 June 07 (net of inflation) £	Total pension accrued at the end of the year £	Transfer value of the increase/ (decrease) in the accrued pension over the year to 30 June 07 less Directors' contributions £	Increase/ (decrease) in accrued pension over the year to 30 June 07 £	Transfer value of accrued pension at 30 June 06 £	Transfer value of accrued pension at 30 June 07 £	Change in transfer value over year less Directors' contributions £
Mr S J Boyes	29,511	234,093	175,374	36,620	1,607,305	1,798,366	173,249
Mr C Fenton	6,632	29,689	41,306	7,433	188,750	232,214	37,128
Mr G K Hester	–	17,763	–	617	246,755	253,752	6,997
Mr D A Pretty	(7,909)	50,666	(159,559)	(5,874)	904,812	988,235	78,143

Mr D A Pretty left service on 31 December 2006 and started to draw his pension on 6 April 2007, and in addition to the pension shown received a lump sum of £196,830. The pension at 30 June 2007 reflects the fact that because retirement was before normal retirement age a reduction was applied.

Mr G K Hester's membership of the pension scheme ended on 30 June 2006.

Directors' own contributions have been deducted from the change in the GN11 transfer value over 2006/07.

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

The accrued pension entitlement is the amount that the Director would receive if he retired at the end of the year. The Listing Rules require this to be disclosed excluding inflation.

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.

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.

Directors' share options

	At 30 June 2006	During the year		At 30 June 2007*	Exercise price pence	Earliest exercise	Latest expiry
		Granted	Exercised				
Mr D A Pretty	180,000	–	(180,000)	–	545	10/10/06	09/10/13
	191,759	–	–	191,759	543	08/10/07	07/10/14
Mr 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
Mr C Fenton	80,275	–	(80,275)	–	545	10/10/06	09/10/13
	115,101	–	–	115,101	543	08/10/07	07/10/14
Mr G K Hester	60,000	–	(60,000)	–	435	22/10/05	21/10/12
	109,633	–	(50,000)	59,633	545	10/10/06	09/10/13
	115,101	–	–	115,101	543	08/10/07	07/10/14
Total	1,187,887	–	(490,275)	697,612			

*or date of resignation if earlier

The mid-market share price of the Company was 954p on 1 July 2006 and 993p as at 30 June 2007. The mid-market high and low share prices of the Company during the year were 1,289p and 911p respectively. No options of Directors in office at 30 June 2007 lapsed unexercised during the year.

There were no changes in the interests of the Directors shown above between 30 June 2007 and 25 September 2007.

On behalf of the Board

Mr R J Davies

Chairman of the Remuneration Committee

26 September 2007

Consolidated income statement

for the year ended 30 June 2007

	Note	2007 £m	2006 £m
Continuing operations			
Revenue	1,2	3,046.1	2,431.4
Cost of sales		(2,452.2)	(1,940.6)
Gross profit		593.9	490.8
Operating expenses before restructuring costs		(86.7)	(77.3)
Restructuring costs	3	(26.2)	–
Total operating expenses		(112.9)	(77.3)
Profit from operations	4	481.0	413.5
Finance income	5	3.5	2.0
Finance costs	5	(55.7)	(24.1)
Share of post tax loss from joint venture	13	(1.0)	–
Profit before tax		427.8	391.4
Tax	6	(127.4)	(116.4)
Profit for the year from continuing operations		300.4	275.0
Profit for the year attributable to equity shareholders	27	300.4	275.0
Proposed/paid dividends per ordinary share			
Interim	7	11.38p	10.34p
Final	7	24.30p	20.69p
Earnings per share from continuing operations			
Basic	9	116.2p	115.3p
Diluted	9	114.3p	113.3p

Consolidated statement of recognised income and expense

for the year ended 30 June 2007

	2007 £m	2006 £m
Profit for the year	300.4	275.0
Revaluation of available for sale financial assets	(0.7)	(4.5)
Gains on swap arrangements	12.3	–
Tax credited to reserves	0.8	1.3
Total recognised income for the year attributable to equity shareholders	312.8	271.8

Balance sheets

at 30 June 2007

	Note	2007 £m	Group 2006 £m	2007 £m	Company 2006 (restated) £m
Assets					
Non-current assets					
Intangible assets	11	107.0	–	–	–
Goodwill	10	816.7	–	–	–
Property, plant and equipment	12	37.4	12.1	0.3	0.4
Investments	14	–	–	2,097.7	46.5
Investments accounted for using the equity method	13	20.9	–	–	–
Available for sale financial assets	15	37.3	31.3	–	–
Trade and other receivables	18	5.0	3.5	62.0	61.6
Deferred tax	16	–	40.4	21.5	29.4
Derivative financial instruments – swaps	22	12.3	–	12.3	–
		1,036.6	87.3	2,193.8	137.9
Current assets					
Inventories	17	4,769.6	2,644.4	–	–
Trade and other receivables	18	141.7	39.5	955.5	501.6
Cash and cash equivalents	21	182.1	43.3	60.4	1.2
Current tax asset		–	–	5.0	–
		5,093.4	2,727.2	1,020.9	502.8
Total assets		6,130.0	2,814.5	3,214.7	640.7
Liabilities					
Non-current liabilities					
Loans and borrowings	22	(1,456.6)	(2.5)	(1,456.6)	–
Trade and other payables	20	(111.7)	(124.3)	–	–
Retirement benefit obligations	24	(78.3)	(87.9)	(78.3)	(87.9)
Deferred tax	16	(3.1)	–	–	–
		(1,649.7)	(214.7)	(1,534.9)	(87.9)
Current liabilities					
Loans and borrowings	22	(26.7)	(5.9)	–	(49.1)
Trade and other payables	20	(1,484.4)	(988.3)	(41.0)	(18.2)
Current tax liabilities		(58.2)	(65.7)	–	(4.4)
		(1,569.3)	(1,059.9)	(41.0)	(71.7)
Total liabilities		(3,219.0)	(1,274.6)	(1,575.9)	(159.6)
Net assets		2,911.0	1,539.9	1,638.8	481.1
Equity					
Share capital	25	34.7	24.3	34.7	24.3
Share premium	27	206.1	202.3	206.1	202.3
Merger reserve	27	1,107.7	–	1,107.7	–
Retained earnings	27	1,562.5	1,313.3	290.3	254.5
Total equity		2,911.0	1,539.9	1,638.8	481.1

The pages from 50 to 88 were approved by the Board on 26 September 2007

M S Clare

Group Chief Executive

M A Pain

Group Finance Director

Cash flow statements

for the year ended 30 June 2007

	Note	2007 £m	Group 2006 £m	2007 £m	Company 2006 £m
Net cash outflow from operating activities	28	(12.3)	(182.1)	(402.2)	(259.5)
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(7.9)	(3.3)	–	(0.2)
Proceeds from sale of property, plant and equipment		3.3	2.0	–	–
Acquisition of subsidiary net of cash acquired	29	(811.6)	–	(811.6)	–
Investments accounted for using the equity method	13	(14.2)	–	–	–
Interest received	5	3.5	2.0	46.8	27.4
Net cash (outflow)/inflow from investing activities		(826.9)	0.7	(764.8)	27.2
Cash flows from financing activities					
Proceeds from issue of share capital	25	3.9	4.5	3.9	4.5
Disposal of own shares	27	10.6	2.4	10.6	2.4
Dividends paid	7	(77.1)	(67.5)	(77.1)	(67.5)
Loan drawdowns		1,040.6	0.2	1,288.8	45.8
Net cash inflow/(outflow) from financing activities		978.0	(60.4)	1,226.2	(14.8)
Net increase/(decrease) in cash and cash equivalents		138.8	(241.8)	59.2	(247.1)
Cash and cash equivalents at beginning of year		43.3	285.1	1.2	248.3
Cash and cash equivalents at end of year	21	182.1	43.3	60.4	1.2

Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and Standing Interpretations Committee (SIC) 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 financial assets, derivative financial instruments and share-based payments. A summary of the more significant Group accounting policies is set out below.

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

Basis of consolidation

The Group financial statements 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 passes to the Group using the purchase method of accounting and up to the date control ceases. All transactions with subsidiaries and inter-company profits or losses are eliminated on consolidation.

Business combinations

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

Jointly controlled entities

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

Jointly controlled operations

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

Revenue

Revenue is recognised at legal completion in respect of the total proceeds of building and development and an appropriate proportion of revenue from construction contracts is recognised by reference to the stage of completion of contract activity. The sale proceeds of part exchange houses are not included in revenue.

Revenue is only recognised on a construction contract where the outcome can be estimated reliably. Revenue and costs are recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Contracts are only treated as construction contracts when they have been specifically negotiated for the construction of a development or property.

Restructuring costs

The acquisition of Wilson Bowden has led to significant restructuring costs, including redundancy payments. The Group has classified these as a separate line in the income statement as they are material and it does not consider them to be a part of trading performance but rather an investment in the future of the business. These costs are recognised when the Group has a detailed plan that has been communicated to the affected parties. A liability is accrued for unsettled restructuring costs.

Dividends

Interim dividends are recognised 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.

Segmental reporting

Following the acquisition of Wilson Bowden, the Group consists of two separate segments for management reporting and control purposes, being housebuilding and commercial development. The Group manages these segments separately due to the different operational and commercial risks that they face. These segments therefore comprise the primary reporting segments within the financial statements. 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.

Goodwill

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

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

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

Intangible assets

Brands

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

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

Investments

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

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

Property, plant and equipment

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

Freehold properties are depreciated on a straight line basis over 25 years. Plant is depreciated on a straight line basis over its expected useful life, which ranges from one to seven years.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour cost 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 the appropriateness of estimates made.

Leases

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

Leases as lessor

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

Share-based payments

The Group issues equity-settled share-based payments to certain employees.

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

Tax

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 net 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 temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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 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

The assets of the defined benefit pension scheme are measured at fair value. The liabilities of the defined benefit pension scheme are measured on an actuarial basis and discounted to present value. The net obligation is calculated by a qualified independent actuary and is recognised as a liability in the balance sheet.

The Group uses a corridor approach when accounting for actuarial gains and losses. The corridor used is the greater of:

- 10% of the present value of the defined benefit obligation at the end of the previous year; or
- 10% of the fair value of plan assets at the end of the previous year.

The amount recognised in the income statement is the excess of unrecognised actuarial gains and losses over the corridor spread over the expected average working lives of members of the scheme.

The operating and financing costs of the defined benefit pension scheme are recognised in the income statement.

Financial instruments

Financial assets and financial liabilities are recognised in 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 financial 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.

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

Trade payables

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

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.

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

Cash and cash equivalents

Cash and cash equivalents includes cash and balances in bank accounts with no notice or less than three months notice from inception.

Bank borrowings

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

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

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

Derivative financial instruments – swaps

The Group has entered into derivative transactions in the form of swap arrangements to manage the interest rate risk arising from the Group's operations and its sources of finance. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors as detailed in note 23 to the financial statements.

The swap arrangements are designated as a hedge against changes in future cash flows as a result of interest rate movements. To the extent that these hedges are effective, gains and losses on the fair value of these swap arrangements are taken to reserves until realised. On realisation such gains and losses are recognised in the income statement. To the extent that any hedge is ineffective, gains and losses on the fair value of these swap arrangements are recognised in the income statement.

Government grants

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

Impact of standards and interpretations in issue but not yet effective

At the date of authorisation of these financial statements there are a number of standards, amendments and interpretations that have been published. All of these have been endorsed by the EU with the exception of IFRS8 'Operating Segments', IFRIC12 'Service Concession Arrangements', IFRIC13 'Customer Loyalty Programmes' and IFRIC14 – IAS19 – 'The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' and are therefore mandatory for the Group's accounting periods beginning on or after 1 July 2007 and later periods. The Group has not early adopted any standard, amendment or interpretation.

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

- IFRS7 'Financial Instruments: Disclosures'. IFRS7 introduces new disclosures on quantitative and qualitative risks arising from financial instruments. This standard will apply to the Group from the annual period commencing 1 July 2007 and is expected to impact upon the Group by requiring additional disclosures in the annual financial statements.
- IFRS8 'Operating Segments'. IFRS8 amends the current segmental reporting requirements of IAS14 and requires a 'management approach' to be adopted so that segment information is presented on the same basis as that used for internal reporting purposes. This standard will apply to the Group from the annual period commencing 1 July 2009 and is expected to impact upon the Group by requiring additional disclosures in the annual financial statements.
- Amendment to IAS1 'Presentation of Financial Statements Capital Disclosures'. This amendment introduces new disclosures about an entity's management of its capital resources. This amendment will apply to the Group from the annual period commencing 1 July 2007 and is expected to impact upon the Group by requiring additional disclosures in the annual financial statements.
- Amendment to IAS23 'Borrowing Costs'. This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. The option of immediately expensing these borrowing costs is removed. This amendment will apply to the Group from the annual period commencing 1 July 2009 and its impact is currently being assessed.
- IFRIC14 – IAS19 – 'The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. IFRIC14 states when refunds or reductions in future contributions can be treated as available under IAS19 and how a minimum funding requirement affects future contributions or may give rise to a liability. This interpretation will apply to the Group from the annual period commencing 1 July 2008 and its impact is currently being assessed.

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

- IFRIC10 'Interim Financial Reporting and Impairment'. IFRIC10 prohibits the reversal of impairment losses recognised in previous interim periods on goodwill, investments in equity instruments or financial assets.
- IFRIC11 'IFRS2 – Group and Treasury Share Transactions'. IFRIC11 requires all share-based payment transactions for which services are received in exchange for shares in the company to be treated as equity-settled. It also requires that where the parent grants share-based payment transactions to the employees of a subsidiary that they be treated as equity-settled, whereas if the subsidiary grants shares to its employees the transactions are treated as cash-settled. This interpretation will apply to the Group from 1 July 2007.
- IFRIC12 'Service Concession Arrangements'. IFRIC12 provides guidance upon the accounting for public-to-private infrastructure service concession arrangements. This interpretation will apply to the Group from 1 July 2008.
- IFRIC13 'Customer Loyalty Programmes'. IFRIC13 requires the credits given as part of customer loyalty schemes to be recognised at their fair value as a separate component of revenue. The revenue related to these schemes should only be recognised when the entity's obligations are fulfilled. This interpretation will apply to the Group from 1 July 2008.

Critical accounting judgements and key sources of estimation uncertainty

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

Critical accounting judgements

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

Key sources of estimation uncertainty

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

Carrying value of land and work in progress

The Group's principal activity is housebuilding and property development. Due to the nature of this activity, much of the development entered into by the Group is speculative in nature. Accordingly, the Group has in its balance sheet at 30 June 2007 current assets that are not covered by a forward sale. The Group's internal controls are designed to identify any developments where the carrying value of land and work in progress is less than the lower of cost or net realisable value.

Estimation of costs to complete

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

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

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

Impairment of goodwill

The determination of the impairment of goodwill requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated as defined in note 10. The value-in-use calculation requires an estimate of the future cash flows expected from these cash-generating units including the anticipated growth rate of revenue and costs and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The

carrying amount of goodwill at the balance sheet date was £816.7m with no impairment recognised during the year ended 30 June 2007.

Impairment of brands

The determination of the impairment calculation for indefinite life brands requires an estimation of the value-in-use of the brands as defined in note 11. The value-in-use calculation requires an estimate of the future cash flows expected from these brands including the anticipated growth rate of revenue and costs and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The carrying amount of indefinite life brands at the balance sheet date was £100.0m with no impairment recognised during the year ended 30 June 2007.

Defined benefit pension

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

Hedge accounting

The Group has a gearing target of around 2.5 times net debt/earnings before interest, tax, depreciation and amortisation (EBITDA). The gearing target supports the land spend activity and the Wilson Bowden acquisition.

The majority of the Group's facilities are floating rate, which exposes the Group to increased interest rate risk. The Group has therefore taken out £860.0m (note 22) of floating to fixed interest rate swaps. The Group has adopted hedge accounting for these swaps on the basis that it is highly probable that there is sufficient forecasted debt to match with the period of the swaps. If the highly probable criteria was not met in future then any changes in fair value of the swaps would be recognised in the income statements, rather than in reserves. At 30 June 2007, there is a gain of £12.3m (2006: £nil) included in reserves related to these swaps.

Notes to the financial statements

1. Revenue

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

	2007 £m	2006 £m
Sale of goods	2,803.7	2,279.9
Contract accounting revenue	242.4	151.5
Total revenue	3,046.1	2,431.4

Sale of goods includes £293.0m (2006: £176.7m) of revenue generated where the sale has been achieved using part exchange incentives.

2. Segmental analysis

Following the acquisition of Wilson Bowden, the Group consists of two separate segments for management reporting and control purposes, being housebuilding and commercial development. The Group presents its primary segment information on the basis of these operating segments. As the Group operates in a single geographic market, the United Kingdom, no secondary segmentation is provided.

	Housebuilding 2007 Units	Commercial development 2007 Units	Total 2007 Units	Housebuilding 2006 Units	Commercial development 2006 Units	Total 2006 Units
Residential completions	17,168	–	17,168	14,601	–	14,601
	£m	£m	£m	£m	£m	£m
Revenue	3,001.4	44.7	3,046.1	2,431.4	–	2,431.4

	Housebuilding 2007 £m	Commercial development 2007 £m	Total 2007 £m	Housebuilding 2006 £m	Commercial development 2006 £m	Total 2006 £m
Result						
Profit from operations before restructuring costs	500.7	6.5	507.2	413.5	–	413.5
Restructuring costs	(25.6)	(0.6)	(26.2)	–	–	–
Profit from operations	475.1	5.9	481.0	413.5	–	413.5
Share of post tax loss from joint venture	(0.9)	(0.1)	(1.0)	–	–	–
Profit from operations including share of post tax loss from joint venture	474.2	5.8	480.0	413.5	–	413.5
Finance income			3.5			2.0
Finance costs			(55.7)			(24.1)
Profit before tax			427.8			391.4
Tax			(127.4)			(116.4)
Profit for the year from continuing operations			300.4			275.0
Other information	£m	£m	£m	£m	£m	£m
Capital additions	7.9	–	7.9	3.3	–	3.3
Depreciation	4.8	0.1	4.9	2.1	–	2.1

2. Segmental analysis (continued)

Balance sheet	Housebuilding	Commercial development	Total	Housebuilding	Commercial development	Total
	2007 £m	2007 £m	2007 £m	2006 £m	2006 £m	2006 £m
Segment assets	5,654.6	314.6	5,969.2	2,730.8	–	2,730.8
Elimination of intercompany balances			(21.3)			–
			5,947.9			2,730.8
Deferred tax assets			–			40.4
Cash and cash equivalents			182.1			43.3
Consolidated total assets			6,130.0			2,814.5
Segment liabilities	(1,576.2)	(119.5)	(1,695.7)	(1,200.5)	–	(1,200.5)
Elimination of intercompany balances			21.3			–
			(1,674.4)			(1,200.5)
Deferred tax liabilities			(3.1)			–
Current tax liabilities			(58.2)			(65.7)
Loans and borrowings			(1,483.3)			(8.4)
Consolidated total liabilities			(3,219.0)			(1,274.6)

3. Restructuring costs

Following the acquisition of Wilson Bowden on 26 April 2007, the Group has incurred £26.2m of costs in relation to reorganising and restructuring the business, including redundancy costs. Where existing employees could not be retained within the Group, redundancy costs of £12.2m have been incurred (note 8). Of the costs incurred at 30 June 2007, £23.8m was accrued.

4. Profit from operations

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

	2007 £m	2006 £m
Staff costs (note 8)	244.3	194.1
Government grants	(11.2)	–
Depreciation of property, plant and equipment	4.9	2.1
Profit on disposal of property, plant and equipment	(2.5)	(1.6)
Lease income	(0.1)	–
Operating lease charges – hire of plant, machinery and vehicles	16.0	16.9
– other	3.3	3.3

Government grants of £35.5m (2006: £nil) have been received in the year relating to the Government's first time buyer initiative. Grant income of £11.2m (2006: £nil) has been recognised in the income statement in relation to house sales completed under the Government's first time buyer initiative.

Finance costs related to employee benefits of £3.9m have been reclassified from operating expenses to finance costs in the prior year.

4. Profit from operations (continued)

The remuneration paid to PricewaterhouseCoopers LLP, the Group's principal auditors, is disclosed below:

	2007 £'000	2006 £'000
Auditors' remuneration		
Audit fees		
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	20	20
Non-audit fees		
The audit of the Company's subsidiaries pursuant to legislation	280	180
Other services pursuant to legislation	32	35
Information technology services	260	136
Tax services	156	111
Due diligence and work as reporting accountants	1,462	–
Other services	1,974	–
Total fees	4,184	482

Other services include financial modelling (£135,000), cost analysis support (£400,000), post integration and change programme assistance (£1,209,000) and project structuring advice (£230,000).

Deloitte & Touche LLP provided services to Wilson Bowden Limited (formerly Wilson Bowden plc) and its subsidiaries during the year. Their remuneration from the Group was as follows:

	2007 £'000	2006 £'000
Non-audit fees		
The audit of the Company's subsidiaries pursuant to legislation	218	–
Other services	339	–
Total fees	557	–

The profit before tax is stated after charging the Directors' emoluments disclosed in the Remuneration report on page 47 and in note 8.

5. Net finance costs

	2007 £m	2006 £m
Finance income on short-term bank deposits	(3.5)	(2.0)
Interest on bank overdrafts and loans	43.5	10.7
Imputed interest on deferred term land payables	9.3	9.5
Finance costs related to employee benefits (note 24)	2.9	3.9
Finance costs	55.7	24.1
Net finance costs	52.2	22.1

Finance costs related to employee benefits of £3.9m have been reclassified from operating expenses to finance costs in the prior year.

6. Tax

	2007 £m	2006 £m
Analysis of the tax charge for the year		
Current tax		
UK corporation tax on profits for the year	121.6	117.1
Adjustment in respect of previous years	(1.5)	0.8
	120.1	117.9
Deferred tax		
Origination and reversal of temporary differences (note 16)	7.3	(1.5)
	127.4	116.4

6. Tax (continued)

In addition to the amount charged/(credited) to the income statement, deferred tax of £2.5m (2006: £1.3m credit) was charged directly to equity (note 16) and corporation tax of £3.3m (2006: £nil) was credited directly to equity.

Factors affecting the tax charge for the year

The tax assessed for the year is lower (2006: lower) than the standard rate of corporation tax in the UK of 30.0% (2006: 30.0%). The differences are explained below:

	2007 £m	2006 £m
Profit before tax	427.8	391.4
Profit before tax multiplied by rate of corporation tax of 30.0% (2006: 30.0%)	128.3	117.4
Effects of:		
Expenses not deductible for tax purposes	2.7	(0.2)
Additional tax relief for land remediation costs	(1.7)	(1.6)
Adjustment in respect of previous years	-	0.8
Impact of change in rate on future deferred tax balances	(1.9)	-
	127.4	116.4

The impact of the changes introduced in the Finance Act 2007 regarding Industrial Buildings Allowances and impact of the reduction in the corporation tax rate from April 2008 to 28% has been to reduce the Group's tax charge by £1.9m in the year due to the reduction in deferred tax provided.

7. Dividends

	2007 £m	2006 £m
Prior year final dividend of 20.69p per share (2005: 17.99p)	49.7	42.8
Interim dividend of 11.38p per share (2006: 10.34p)	27.4	24.7
	77.1	67.5
	2007 £m	2006 £m
Proposed final dividend for the year ended 30 June 2007 of 24.30p (2006: 20.69p) per share	84.2	49.7

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability at 30 June 2007.

8. Key management and employees

Key management personnel, as defined under IAS 24 'Related Party Disclosures', have been identified as the Board of Directors as the controls operated by the Group ensure that all key decisions are reserved for the Board. Detailed disclosures of Directors' individual remuneration, pension entitlements and share options, for those Directors who served during the year, are given in the audited sections of the Remuneration report on pages 42 to 49 which form part of these financial statements. A summary of key management remuneration is as follows:

	2007 £m	2006 £m
Salaries and fees (including pension compensation)	2.5	3.3
Performance bonus	2.4	3.0
Benefits	0.1	0.2
Pension costs	0.1	0.2
Share-based payments	1.8	0.5
	6.9	7.2

8. Key management and employees (continued)

	2007 Number	Group 2006 Number	2007 Number	Company 2006 Number
Average staff numbers (excluding sub-contractors)	5,356	4,854	81	57

Staff costs, including Directors, comprise:

	2007 £m	Group 2006 £m	2007 £m	Company 2006 £m
Wages and salaries including bonuses	197.7	164.2	7.1	6.0
Redundancy costs	12.2	–	–	–
Social security costs	20.8	17.2	1.4	0.8
Other pension costs	9.2	9.6	0.6	0.5
Share-based payments	4.4	3.1	2.8	–
Total staff costs	244.3	194.1	11.9	7.3

9. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £300.4m (2006: £275.0m) by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust which are treated as cancelled, which were 258.6m (2006: 238.5m).

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £300.4m (2006: £275.0m) by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the year, giving a figure of 262.8m (2006: 242.8m).

The earnings per share from continuing operations were as follows:

	2007 pence	2006 pence
Basic earnings per share	116.2	115.3
Adjusted basic earnings per share	123.8	115.3
Diluted earnings per share	114.3	113.3
Adjusted diluted earnings per share	121.8	113.3

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

	2007 £m	2006 £m
Earnings for basic and diluted earnings per share	300.4	275.0
Add restructuring costs (note 3)	26.2	–
Less tax effect of above item	(6.5)	–
	320.1	275.0

Earnings are adjusted, removing restructuring costs and the related tax, to reflect the Group's underlying profit.

10. Goodwill

	2007 £m	Group 2006 £m
Cost		
At 1 July	-	-
Acquisitions in the year (note 29)	816.7	-
At 30 June	816.7	-
Accumulated impairment losses		
At 1 July	-	-
Impairment losses for the year	-	-
At 30 June	-	-
Carrying amount		
At 1 July	-	-
At 30 June	816.7	-

The goodwill balance relates to the acquisition of Wilson Bowden on 26 April 2007. Goodwill of £792.2m has been allocated to the housebuilding segment and £24.5m has been allocated to the commercial development segment. The goodwill balance has been allocated to both segments as it is attributable to:

- the highly complementary geographical fit, which will enable the Group to deliver synergies from the rationalisation of the number of operational divisions and consolidation of the central functions
- the acquisition of the skills and experience within the workforce of Wilson Bowden
- an increased consented land bank enabling increased operational flexibility
- increased access to commercial and mixed-use developments
- access to an expanded portfolio of strategic land and the associated skills within the Wilson Bowden strategic land team

An impairment review was performed at 30 June 2007 comparing the value-in-use of the housebuilding and commercial development segments with the carrying value of their assets and allocated goodwill. The value-in-use was determined by discounting the expected future cash flows of the housebuilding and commercial development segments. The key assumptions for the value-in-use calculations are those regarding the discount rates, expected changes in selling prices for completed houses and expected changes in site costs to complete. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks appropriate to the housebuilding and commercial development businesses and therefore the discount rate that is considered by the Directors to be appropriate is a pre-tax risk adjusted discount rate of 12.0%. Changes in selling prices and direct costs are based upon past experience and expectations of future changes in the market.

As a result of this review no impairment was recorded.

11. Intangible assets

	Brands £m	Group Total £m
Cost		
At 1 July 2005	-	-
At 30 June 2006	-	-
Acquisitions in the year (note 29)	107.0	107.0
At 30 June 2007	107.0	107.0
Amortisation		
At 1 July 2005	-	-
At 30 June 2006	-	-
At 30 June 2007	-	-
Net book value		
At 30 June 2006	-	-
At 30 June 2007	107.0	107.0

11. Intangible assets (continued)

The Group does not amortise the housebuilding brand acquired with Wilson Bowden, being David Wilson Homes, valued at £100.0m, as the Directors consider that this has an indefinite life. The Directors consider that this brand has an indefinite life due to the fact that the Group intends to hold and support the brand for an indefinite period and there are no factors that would prevent it from doing so. The brand of Wilson Bowden Developments valued at £7.0m is being amortised over ten years as it is a business to business brand operating in niche markets.

The Group tests indefinite life brands annually for impairment, or more frequently if there are indications that they might be impaired. The recoverable amounts are determined using value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, expected changes in selling prices for completed houses and expected changes in site costs to complete. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks appropriate to the housebuilding and commercial development businesses and therefore the discount rate that is considered by the Directors to be appropriate is a pre-tax risk adjusted discount rate of 12.0%. Changes in selling prices and direct costs are based upon past experience and expectations of future changes in the market.

As a result of this review no impairment was recorded.

12. Property, plant and equipment

	Freehold property £m	Plant £m	Group Total £m	Company Plant £m
Cost				
At 1 July 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
Additions	3.9	4.0	7.9	–
Acquired with subsidiary (note 29)	15.5	7.6	23.1	–
Reclassification	1.5	(1.5)	–	–
Disposals	(0.7)	(1.2)	(1.9)	–
At 30 June 2007	25.4	23.6	49.0	0.8
Depreciation				
At 1 July 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
Charge for the year	0.3	4.6	4.9	0.1
Reclassification	0.5	(0.5)	–	–
Disposals	–	(1.1)	(1.1)	–
At 30 June 2007	0.8	10.8	11.6	0.5
Net book value				
At 30 June 2006	5.2	6.9	12.1	0.4
At 30 June 2007	24.6	12.8	37.4	0.3

Authorised future capital expenditure that was contracted, but not provided for, in these financial statements amounted to £nil (2006: £nil).

13. Interests in jointly controlled entities

The Group equity accounts for jointly controlled entities. In relation to interests in jointly controlled entities, during the year the Group:

- invested £14.2m in the following entities: Base Regeneration LLP, Base East Central Rochdale LLP, Base Hattersley LLP, Base Werneth LLP, Barratts Wates (Horley) Limited and Wandsworth Parkside LLP. The Group has a 50% holding in all of these entities.
- acquired a 33.3% interest in Ravenscraig Limited, a company incorporated in Scotland, on its acquisition of Wilson Bowden (note 29).

	2007 £m	Group 2006 £m
At 1 July	-	-
Acquired with subsidiary (note 29)	7.7	-
Investment in joint ventures	14.2	-
Share of loss for the year	(1.0)	-
At 30 June	20.9	-

In relation to the Group's interests in joint ventures, the Group's share of assets and liabilities of the joint ventures is shown below:

	2007 £m	Group 2006 £m
Current assets	53.2	-
Current liabilities	(41.2)	-
Non-current liabilities	(13.0)	-
Net liabilities of joint ventures	(1.0)	-

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

	2007 £m	Group 2006 £m
Income	-	-
Expenses	(1.0)	-
Tax	-	-
Share of post tax loss from joint ventures	(1.0)	-

14. Investments

	2007 £m	Company 2006 £m
Cost		
At 1 July	68.5	65.4
Acquisition of subsidiary (note 29)	2,049.6	-
Increase in investment in subsidiaries related to share-based payments	1.6	3.1
At 30 June	2,119.7	68.5
Impairment		
At 1 July	22.0	-
Impairment of investments	-	22.0
At 30 June	22.0	22.0
Net book value		
At 1 July	46.5	65.4
At 30 June	2,097.7	46.5

During the prior year, the investments of the Company were impaired following a fall in the net value of the assets of a subsidiary below the cost of investment. The revised carrying value of the investment was based on the fair value of the net assets of the subsidiary.

14. Investments (continued)

The subsidiary undertakings which principally affect profits and net assets of the Group were:

Company	Percentage owned	Country of registration	Principal activity
Barratt Homes Limited	100%	England and Wales	Housebuilding and development
KingsOak Homes Limited	100%	England and Wales	Housebuilding and development
Barratt North Scotland Limited	100%	Scotland	Housebuilding and development
Barratt Commercial Limited	100%	England and Wales	Housebuilding and development
Wilson Bowden Limited	100%	England and Wales	Holding company
David Wilson Homes Limited	100%*	England and Wales	Housebuilding and development
Ward Homes Limited	100%*	England and Wales	Housebuilding and development
Wilson Bowden Developments Limited	100%*	England and Wales	Commercial development

* Owned through another Group company

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

15. Available for sale financial assets

	2007 £m	Group 2006 £m
At 1 July	31.3	–
Additions	0.1	35.8
Acquired with subsidiary (note 29)	8.7	–
Disposals	(2.1)	–
Revaluation	(0.7)	(4.5)
At 30 June	37.3	31.3

Available for sale financial assets principally comprise interest free loans granted as part of sales transactions that are secured by way of a legal charge over the respective property. These loans are held at the present value of expected future cash flows taking into account the estimated market value of the property at the estimated time of repayment. The movement in fair value during the year that has been recognised in equity is shown in note 27.

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 financial assets is equivalent to their fair value as the time value of money is taken into account when calculating their carrying value.

Further disclosures relating to financial instruments are set out in note 23.

16. Deferred tax

The Group recognised a deferred tax (liability)/asset comprising:

	Accelerated capital allowances £m	Short-term timing differences £m	Total £m
At 1 July 2005	0.2	37.4	37.6
Credited/(charged) to income statement	(0.2)	1.7	1.5
Amounts taken directly to equity	–	1.3	1.3
At 30 June 2006	–	40.4	40.4
Acquired with subsidiary (note 29)	0.7	(34.4)	(33.7)
Credited/(charged) to income statement	0.5	(7.8)	(7.3)
Amounts taken directly to equity	–	(2.5)	(2.5)
At 30 June 2007	1.2	(4.3)	(3.1)

16. Deferred tax (continued)

The Company recognised a deferred tax asset comprising:

	Accelerated capital allowances £m	Short-term timing differences £m	Total £m
At 1 July 2005	–	29.6	29.6
Charged to income statement	–	(0.2)	(0.2)
At 30 June 2006	–	29.4	29.4
Charged to income statement	–	(2.7)	(2.7)
Amounts taken directly to equity	–	(5.2)	(5.2)
At 30 June 2007	–	21.5	21.5

All deferred tax relates to the United Kingdom and is stated on a net basis as the Group has a legally enforceable right to set-off the recognised amounts and intends to settle on a net basis. Gross deferred tax assets and liabilities are:

	2007 £m	Group 2006 £m	2007 £m	Company 2006 £m
Deferred tax assets	35.7	40.4	21.5	29.4
Deferred tax liabilities	(38.8)	–	–	–
	(3.1)	40.4	21.5	29.4

In addition to the above, the Group has not recorded a deferred tax asset of £1.8m (2006: £nil) in respect of capital and other losses that are not considered recoverable in the foreseeable future.

The impact of the changes introduced in the Finance Act 2007 regarding Industrial Buildings Allowances and impact of the reduction in the corporation tax rate from April 2008 to 28% has been to reduce the Group's tax charge by £1.9m in the year due to the reduction in deferred tax provided.

The effect of the changes to be enacted in the Finance Act 2008 would be to increase the deferred tax liability provided at 30 June 2007 by approximately £0.8m. The increase in the deferred tax liability would decrease the profit after tax in the income statement by £0.8m. This increase in the deferred tax liability is due to the phasing out of Industrial Building Allowances from 2007 onwards.

17. Inventories

	2007 £m	Group 2006 £m
Land held for development	3,296.6	1,997.3
Construction work in progress	1,368.5	603.8
Part exchange properties	97.9	35.6
Other inventories	6.6	7.7
	4,769.6	2,644.4

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

The value of inventories expensed in 2007 and included in cost of sales was £2,354.4m (2006: £1,740.7m).

The value of inventories written down and recognised as an expense in 2007 was £3.5m (2006: £nil).

The value of inventories recognised as an expense in the year was reduced by the reversal of £1.4m (2006: £nil) that was written down in a previous accounting period. The reversals arose mainly due to obtaining planning approval on strategic land and other interests that had been previously written down to net realisable value.

18. Trade and other receivables

	2007	Group 2006	2007	Company 2006 (restated)
	£m	£m	£m	£m
Non-current assets				
Trade receivables	0.1	–	–	–
Amounts due from subsidiary undertakings	–	–	61.6	61.6
Other receivables	4.9	3.5	0.4	–
	5.0	3.5	62.0	61.6
Current assets				
Trade receivables	121.5	12.5	–	0.8
Amounts due from subsidiary undertakings	–	–	946.6	499.4
Other tax and social security	5.2	–	–	–
Other receivables	4.6	21.4	2.9	–
Prepayments and accrued income	10.4	5.6	6.0	1.4
	141.7	39.5	955.5	501.6

The amount due from subsidiary undertakings in the Company for 2006 have been restated to remove £42.7m of dividends that had not been paid by subsidiary companies at the year end (note 27).

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 values of trade and other receivables are stated after an allowance for doubtful receivables of £3.7m (2006: £nil) has been made. The allowance has been estimated by the Directors based upon either specific knowledge or past experience of their assessment of the current economic environment.

The Directors consider that the carrying values of trade and other receivables approximate to their fair value.

Further disclosures relating to financial instruments are set out in note 23.

19. Contract accounting

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

	2007 £m	Group 2006 £m
Amounts due from contract customers included in trade and other receivables	24.4	4.4
Amounts due to contract customers included in trade and other payables	(5.3)	(7.6)
	19.1	(3.2)
Contract costs incurred plus recognised profits less recognised losses to date	209.6	151.5
Less progress billings	(190.5)	(154.7)
	19.1	(3.2)

At 30 June 2007, retentions held by customers for contract work amounted to £5.4m (2006: £3.2m). Advances received from customers for contract work amounted to £11.4m (2006: £9.6m).

20. Trade and other payables

	2007 £m	Group 2006 £m	2007 £m	Company 2006 £m
Non-current liabilities				
Trade payables (including land payables)	111.7	124.1	-	-
Other payables	-	0.2	-	-
	111.7	124.3	-	-
Current liabilities				
Trade payables (including land payables)	993.2	698.6	3.4	2.1
Accruals and deferred income	427.1	198.9	36.5	16.1
Other tax and social security	8.8	6.8	1.1	-
Other payables	55.3	84.0	-	-
	1,484.4	988.3	41.0	18.2

Accruals include a £1.2m (2006: £1.5m) National Insurance accrual relating to share-based payments (note 26).

Total payables include £116.0m (2006: £76.1m) secured by legal charges on certain assets.

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

Trade payables included in non-current liabilities are carried at their discounted present value of expected future cash flows using the effective interest rate method. The effective interest rate used in the calculation is 5.25% (2006: 5.25%). The Directors therefore consider that the carrying value of these liabilities approximates to fair value.

Further disclosures relating to financial instruments are set out in note 23.

21. Cash and cash equivalents

	2007 £m	Group 2006 £m	2007 £m	Company 2006 £m
Cash at bank and in hand	182.1	43.3	60.4	1.2

Cash at bank and in hand is held at floating interest rates linked to the United Kingdom bank rate LIBOR and money market rates as applicable.

All cash at bank and in hand was on overnight deposit at 30 June 2007.

Further disclosures relating to financial instruments are set out in note 23.

22. Loans, borrowings and derivative financial instruments

a) Drawn debt facilities

The drawn debt at the year end comprises:

	2007 £m	Group 2006 £m	2007 £m	Company 2006 £m
Non-current				
Bank loans	1,273.2	2.5	1,273.2	-
Loan notes	101.6	-	101.6	-
Private placement notes	81.8	-	81.8	-
Total non-current	1,456.6	2.5	1,456.6	-
Current				
Bank overdrafts	26.7	-	-	-
Bank loans	-	5.9	-	49.1
Total current	26.7	5.9	-	49.1
Total bank loans	1,483.3	8.4	1,456.6	49.1

22. Loans, borrowings and derivative financial instruments (continued)

The principal features of the Group's drawn debt facilities as at 30 June 2007 were as follows:

i) Committed facilities

- A committed £800m 364 day term facility with a one year term out option exercisable by the Company, effective from 26 April 2007.
- A committed £600m five year term facility, of which £583.6m was utilised at 30 June 2007 by way of drawings of £482.0m and a bank guarantee to support the loan notes of £101.6m, effective from 26 April 2007.
- A committed £400m five year term facility, of which £4.0m was drawn at 30 June 2007, effective from 2 February 2005.

Committed facility drawings are shown net of £12.8m of fees related to the facilities.

ii) Fixed rate sterling private placement notes

The Group has fixed rate sterling private placement notes ("Notes") which were valued at their current value at the date of acquisition of Wilson Bowden, as follows:

- A £30.0m Note (2006: £nil) with a current value of £30.2m that expires in April 2009 and is subject to a fixed rate coupon of 6.98%.
- A £10.0m Note (2006: £nil) with a current value of £10.0m that expires in April 2009 and is subject to a fixed rate coupon of 6.84%.
- A £20.0m Note (2006: £nil) with a current value of £20.9m that expires in October 2010 and is subject to a fixed rate coupon of 8.20%.
- A £20.0m Note (2006: £nil) with a current value of £20.7m that expires in October 2010 and is subject to a fixed rate coupon of 7.86%.

The Group can elect at any time to prepay an amount not less than 25% of the outstanding fixed rate sterling private placement notes together with a make-whole premium calculated by reference to the difference between the interest rate applicable for the loans and market yields at the date of repayment.

Interest on all fixed rate sterling private placement notes is payable half yearly in arrears.

iii) Floating rate sterling loan notes

The Group had £101.6m sterling loan notes at 30 June 2007 that are due in December 2012 and are subject to floating rates of interest linked to LIBOR.

iv) Bank overdrafts and uncommitted money market facilities

The Group also uses various bank overdrafts arranged through its cash pooling structures and uncommitted borrowing facilities that are subject to floating interest rates linked to bank rate, LIBOR and money market rates as applicable.

All debt is unsecured.

b) Net debt

Net debt is defined as cash and cash equivalents, bank overdrafts and interest bearing borrowings.

	2007 £m	Group 2006 £m	2007 £m	Company 2006 £m
Cash and cash equivalents	182.1	43.3	60.4	1.2
Bank overdrafts	(26.7)	–	–	–
Net cash and cash equivalents	155.4	43.3	60.4	1.2
Bank loans	(1,273.2)	(8.4)	(1,273.2)	(49.1)
Loan notes	(101.6)	–	(101.6)	–
Private placement notes	(81.8)	–	(81.8)	–
Net (debt)/cash	(1,301.2)	34.9	(1,396.2)	(47.9)

22. Loans, borrowings and derivative financial instruments (continued)

c) Undrawn debt facilities

The Group maintains certain committed floating rate facilities with banks to ensure sufficient liquidity for its operations. The undrawn committed facilities available to the Group and the Company, in respect of which all conditions precedent had been met, are as follows:

Expiry date	2007 £m	Group 2006 £m	2007 £m	Company 2006 £m
In less than one year	-	-	-	-
In more than one year but not more than two years	-	-	-	-
In more than two years but not more than five years	1,162.4	400.0	1,162.4	400.0
	1,162.4	400.0	1,162.4	400.0

The undrawn committed facilities comprise:

- i) A committed £600m five year term facility of which £16.4m was undrawn at 30 June 2007.
- ii) A committed £750m five year revolving credit facility.
- iii) A committed £400m five year term facility of which £396.0m was undrawn at 30 June 2007.

In addition, the Group had £129.6m of undrawn uncommitted facilities available at 30 June 2007 (2006: £62.8m).

d) Gross borrowings maturity profile

The maturity profile of the Group's and Company's borrowings is as follows:

	2007 £m	Group 2006 £m	2007 £m	Company 2006 £m
In less than one year or on demand	26.7	5.9	-	49.1
In more than one year but not more than two years	835.8	0.5	835.8	-
In more than two years but not more than five years	620.8	1.9	620.8	-
In more than five years	-	0.1	-	-
	1,483.3	8.4	1,456.6	49.1
Less amounts due for repayment within 12 months	(26.7)	(5.9)	-	(49.1)
Amount due for settlement after 12 months	1,456.6	2.5	1,456.6	-

e) Interest rates and fair value

All borrowings are recorded at amortised cost.

The interest rate profile and fair value of the Group's borrowings at 30 June was:

	Book value 2007 £m	Fair value 2007 £m	Book value 2006 £m	Fair value 2006 £m
Sterling bank overdrafts – floating rate	26.7	26.7	-	-
Sterling bank loans – floating rate	1,273.2	1,273.2	8.4	8.4
Sterling loan notes – floating rate	101.6	101.6	-	-
Sterling private placement notes – fixed rate	81.8	81.8	-	-
Total	1,483.3	1,483.3	8.4	8.4

22. Loans, borrowings and derivative financial instruments (continued)
e) Interest rates and fair value (continued)

The interest rate profile and fair value of the Company's borrowings at 30 June was:

	Book value 2007 £m	Fair value 2007 £m	Book value 2006 £m	Fair value 2006 £m
Sterling bank loans – floating rate	1,273.2	1,273.2	49.1	49.1
Sterling loan notes – floating rate	101.6	101.6	–	–
Sterling private placement notes - fixed rate	81.8	81.8	–	–
Total	1,456.6	1,456.6	49.1	49.1

Floating interest rates on sterling borrowings are linked to money market rates, LIBOR and bank rate. The floating rates are fixed in advance for periods generally ranging from one to six months. Short-term flexibility is achieved through the use of overdraft, committed and uncommitted bank facilities. The weighted average interest rate for floating rate borrowings in 2007 was 5.7% (2006: 5.1%).

Floating rate borrowings expose the Group to cash flow interest rate risk. The fair value of floating rate loans at 30 June 2007 and 30 June 2006 is considered to be equal to the book value as the interest rate on the loans and borrowings is linked to United Kingdom bank rate. The cash flow interest rate risks of £860.0m of the floating rate debt has been hedged using swap arrangements (as detailed below).

Fixed rate sterling private placement notes of £81.8m (2006: £nil) were arranged at fixed interest rates and expose the Group to fair value interest rate risk. The weighted average interest rate for fixed rate sterling private placement notes for 2007 was 7.5% (2006: nil) with, at 30 June 2007, a weighted average period of 2.5 years (2006: nil) for which the rate is fixed.

The fair value of fixed rate sterling private placement notes has been determined by using the current value calculated at the acquisition of Wilson Bowden.

At 30 June 2007, if interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's net profit would decrease/increase by £1.4m (2006: £0.5m decrease/increase).

f) Derivative financial instruments – swaps

The Group enters into derivative transactions in the form of swap arrangements to manage the cash flow risks, related to interest rates, arising from the Group's sources of finance.

At 30 June 2007 the Group had outstanding floating rate sterling debt and overdrafts of £1,401.5m (2006: £8.4m). In obtaining this funding the Group sought to achieve certainty as to both the availability of, and income statement charge related to, a designated proportion of anticipated future debt requirements.

The Group has entered into swap arrangements to swap £860.0m (2006: £nil) of this debt into fixed rate sterling debt in accordance with the Group treasury policy outlined in note 23. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

	£m	Amount %	Fixed rate payable Maturity
	210.0	5.79	2012
	200.0	5.62	2017
	100.0	5.92	2017
	100.0	5.95	2017
	150.0	5.42	2022
	100.0	5.71	2022
	860.0		

22. Loans, borrowings and derivative financial instruments (continued)

f) Derivative financial instruments – swaps (continued)

The swap arrangements are designated as a cash flow hedge against future interest rate movements. The fair value of the swap arrangements at 30 June 2007, which is based on third party valuations, was £12.3m (2006: £nil) with a gain of £12.3m (2006: £nil) being credited directly to equity in the year. In addition, £1.5m was transferred to the income statement on the settlement of the former Wilson Bowden US Dollar swaps following the repayment of the former Wilson Bowden US Dollar private placement notes. There was no (2006: nil) ineffectiveness arising from the swaps to be taken through the income statement during the year.

Further disclosures relating to financial instruments are set out in note 23.

23. Financial instruments

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

a) Financial risk management

The Group's operations and debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risks, liquidity risks and interest rates. The most significant of these to the Group is liquidity risk and as such there is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management so as to ensure that risks are promptly identified and appropriate actions taken by the central treasury department. In addition, the Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance in particular by using financial instruments, including debt and derivatives, to fix interest rates. The Group does not use derivative financial instruments for speculative purposes.

The Board of Directors is responsible for setting specific, clearly defined guidelines regarding treasury that are applied by the Group. A Treasury Operating Committee has been established which operates within specific parameters set by the Board and consists of any two of the Group Chief Executive, Group Finance Director and Group Treasurer. In addition, the Directors approve and review all facilities and derivative transactions that they have not delegated to the Treasury Operating Committee. The Group operates a central treasury department to implement the guidelines established by the Board, to which it reports regularly.

i) Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. The Group has a policy of maintaining both long-term fixed rate funding and medium-term floating rate funding so as to ensure that there is appropriate flexibility for the Group's operational requirements. In order to achieve this the Group has entered into swap arrangements to hedge cash flow risks relating to interest rate movements on a proportion of its debt. The Group has a policy that 60%-80% of the forecasted debt for the year end is at a fixed rate, with an average minimum duration of five years and an average maximum duration of fifteen years.

ii) Credit risk

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The exposure to credit loss on cash and cash equivalents and trade and other receivables is equivalent to their balance sheet carrying value.

The Group has a credit policy that is limited to financial institutions with high credit ratings as set by international credit rating agencies. The Group only contracts derivative financial instruments with counterparties with which the Group has an ISDA Master Agreement in place. These agreements permit net settlement thereby reducing the Group's credit exposure to individual counterparties.

The Company was exposed to £8.4m (2006: £8.4m) of credit risk in relation to financial guarantees and the bank borrowings of subsidiary undertakings at the year end. Further details are provided in note 31.

iii) Liquidity risk

The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. At 30 June 2007, the Group had committed facilities of £2,630.0m (2006: £400.0m) and total facilities of £2,786.3m (2006: £471.2m).

The Group's objective is to minimise refinancing risk. The Group therefore has a policy that the average maturity of its committed facilities and private placement notes is at least three years. At 30 June 2007, the average maturity of the Group's facilities was 3.5 years.

23. Financial instruments (continued)

b) Financial assets

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

	2007 £m	Group 2006 £m	2007 £m	Company 2006 £m
Non-current				
Trade receivables	0.1	–	–	–
Other receivables	4.9	3.5	0.4	–
Available for sale financial assets	37.3	31.3	–	–
Derivative financial instruments – swaps	12.3	–	12.3	–
	54.6	34.8	12.7	–
Current				
Trade receivables	121.5	12.5	–	0.8
Other receivables	4.6	21.4	2.9	–
Cash and cash equivalents	182.1	43.3	60.4	1.2
	308.2	77.2	63.3	2.0

c) Financial liabilities

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

	2007 £m	Group 2006 £m	2007 £m	Company 2006 £m
Non-current				
Loans and borrowings	1,456.6	2.5	1,456.6	–
Trade payables	111.7	124.1	–	–
Other payables	–	0.2	–	–
	1,568.3	126.8	1,456.6	–
Current				
Loans and borrowings	26.7	5.9	–	49.1
Trade payables	993.2	698.6	3.4	2.1
Other payables	55.3	84.0	–	–
	1,075.2	788.5	3.4	51.2

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

	2007 £m	2006 £m
Financial liabilities: non-current		
In more than one year but not more than two years	889.5	103.4
In more than two years but not more than five years	664.4	14.2
In more than five years	14.4	9.2
	1,568.3	126.8

The maturity profile of the Company's non-current financial liabilities was as follows:

	2007 £m	2006 £m
Financial liabilities: non-current		
In more than one year but not more than two years	835.8	–
In more than two years but not more than five years	620.8	–
	1,456.6	–

24. Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

Defined contribution schemes

	2007 £m	2006 £m
Contributions during the year		
Barratt defined contribution scheme	2.8	1.8
Wilson Bowden defined contribution scheme	0.9	–
	3.7	1.8

At the balance sheet date there were outstanding contributions of £0.4m (2006: £0.2m), which were paid on or before the due date.

Defined benefit scheme

The Group operates a funded defined benefit pension scheme in the United Kingdom, which is now closed to new entrants. A full actuarial valuation was carried out at 30 November 2004 and updated to 30 June 2007 by a qualified independent actuary. 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 as the scheme is closed to new members. At the balance sheet date there were no outstanding contributions (2006: £0.7m).

Following changes introduced by the Finance Act with effect from April 2006, the defined benefit scheme has implemented revised terms for members exchanging pension at retirement date for a tax-free lump sum. An analysis of the changes in commutation behaviour of scheme members will be undertaken by the Trustees for the 30 November 2007 actuarial valuation of the scheme. After the results of this are made available, the Group may change its assumptions regarding commutation. Accordingly, no gain or loss has been recognised in the period.

The assets of the defined benefit scheme have been calculated at fair value. The liabilities of the scheme have been calculated at each balance sheet date using the following assumptions:

	2007	2006
Principal actuarial assumptions		
Weighted average assumptions to determine benefit obligations		
Discount rate	5.80%	5.25%
Rate of compensation increase	5.30%	5.00%
Rate of price inflation	3.30%	3.00%
Weighted average assumptions to determine net cost		
Discount rate	5.25%	4.95%
Expected long-term rate of return on plan assets during the financial year	6.19%	5.87%
Rate of compensation increase	5.00%	4.75%
Rate of price inflation	3.00%	2.75%

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

	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

24. Retirement benefit obligations (continued)

The amounts recognised in the income statement were as follows:

	2007 £m	2006 £m
Current service cost	5.5	7.8
Total pension cost recognised in operating expenses in the consolidated income statement	5.5	7.8
Interest cost	11.9	11.0
Expected return on scheme assets	(9.0)	(7.1)
Total pension cost recognised in finance costs in the consolidated income statement	2.9	3.9
Total pension cost recognised in the consolidated income statement	8.4	11.7
Actual return on assets		
Actual return on scheme assets	16.6	15.1

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit pension scheme is as follows:

	2007 £m	2006 £m
Present value of funded obligations	232.8	231.8
Fair value of scheme assets	(167.9)	(141.1)
Deficit for funded scheme	64.9	90.7
Unrecognised net actuarial gain/(loss)	13.4	(2.8)
Net liability recognised in the balance sheet at 30 June	78.3	87.9

	2007 £m	2006 £m
Net liability for defined benefit obligations at 1 July	87.9	88.9
Contributions received	(18.0)	(12.7)
Expense recognised in the income statement	8.4	11.7
Net liability for defined benefit obligations at 30 June	78.3	87.9

A deferred tax asset of £21.9m (2006: £26.4m) has been recognised in the balance sheet in relation to the pension liability (note 16).

Movements in the present value of defined benefit obligations were as follows:

	2007 £m	2006 £m
Present value of benefit obligations at 1 July	231.8	223.9
Current service cost	5.5	7.8
Interest cost	11.9	11.0
Scheme participants' contributions	1.8	2.0
Actuarial gain	(8.6)	(8.7)
Benefits paid from scheme	(9.4)	(3.6)
Premiums paid	(0.2)	(0.6)
Present value of benefit obligations at 30 June	232.8	231.8

Movements in the fair value of scheme assets were as follows:

	2007 £m	2006 £m
Fair value of scheme assets at 1 July	141.1	115.5
Expected return on scheme assets	9.0	7.1
Actuarial gain on scheme assets	7.6	8.0
Employer contributions	18.0	12.7
Member contributions	1.8	2.0
Benefits paid from scheme	(9.4)	(3.6)
Premiums paid	(0.2)	(0.6)
Fair value of scheme assets at 30 June	167.9	141.1

24. Retirement benefit obligations (continued)

The analysis of scheme assets and the expected rate of return at the balance sheet date was as follows:

	Percentage of scheme assets	2007 Expected return on scheme assets	Percentage of scheme assets	2006 Expected return on scheme assets
Equity securities	59.2%	7.60%	60.5%	7.06%
Debt securities	40.4%	5.40%	39.5%	4.86%
Other	0.4%	5.80%	–	–
Total	100.0%	6.70%	100.0%	6.19%

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of risk premium associated with other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

A three year history of experience adjustments is as follows:

	2007	2006	2005
Present value of defined benefit obligations (£m)	232.8	231.8	223.9
Fair value of scheme assets (£m)	(167.9)	(141.1)	(115.5)
Deficit in the scheme (£m)	64.9	90.7	108.4
Experience of adjustment in scheme liabilities (£m)	13.2	–	–
Percentage of scheme liabilities	6%	–	–
Experience of adjustment in scheme assets (£m)	(7.6)	(8.0)	–
Percentage of scheme assets	(5%)	(6%)	–

The expected employer contribution to the defined benefit pension scheme in 2008 is £16.3m.

25. Share capital

	2007 £m	2006 £m
Authorised 402,850,000 (2006: 300,000,000) ordinary shares of 10p each	40.3	30.0
Allotted and issued ordinary shares of 10p each		
Fully paid – 346,511,877 ordinary shares (2006: 243,099,792)	34.7	24.3

The authorised share capital of the Company was increased to 402,850,000 from 300,000,000 on 27 March 2007.

The issued share capital of the Company was increased during the year to 346,511,877 ordinary shares of 10p each by the issue of:

- 840,300 (2006: 1,127,648) ordinary shares of 10p each for a cash consideration of £3,909,080 (2006: £4,596,852) in satisfaction of options duly exercised in accordance with the rules of the share option plans.
- 102,571,785 (2006: nil) ordinary shares as £1,118,032,457 of the consideration for the acquisition of Wilson Bowden (note 29).

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 1,714,046 (2006: 3,865,390) ordinary shares in the Company. The cost of the shares, at an average of 164.6 pence per share (2006: 345.7 pence per share), was £2,821,186 (2006: £13,356,211). The market value of the shares held by the EBT at 30 June 2007, at 993.0 pence per share (2006: 948.0 pence per share), was £17,020,477 (2006: £36,643,897).

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.

26. Share-based payments

Details of the share option schemes

a) Executive Share Option Plan

In November 1997, the Company adopted the current Executive Share Option Plan (the 'Plan'). The grant of share options under this 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 from the date of grant. The exercise of options granted under the Plan is subject to the achievement of an objective performance condition set by the Remuneration Committee namely that the growth in the 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 6% for options granted in 1997 and 1998 and by at least 9% for those options granted in and since 1999.

b) Employee Share Option Plan

In November 1999, the Company adopted an Employee Share Option Plan (the 'Plan'). The Board approves the grant of share options to employees under this Plan which are normally exercisable between three and ten 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%.

Those who have participated in the Executive Share Option Plan do not participate in the Employee Share Option Plan.

c) Long-Term Performance Plan

The Long-Term Performance Plan (the 'LTPP') was approved by shareholders at the Annual General Meeting held in November 2003 to take effect from 1 July 2003. Further details relating to the LTPP are set out in the Remuneration report on pages 42 to 49.

d) Wilson Bowden plc 2003 Savings Related Share Option Scheme (the 'WBSRSOS')

Under the WBSRSOS, participants are required to make monthly contributions to an approved savings authority under a contractual savings scheme for a period of three or five years. On entering into the savings contract, participants are granted an option to acquire ordinary shares in Wilson Bowden plc at a discount, of no more than 20%, to the middle market price of Wilson Bowden plc's shares immediately prior to the date of grant.

The exercise of options under the WBSRSOS is not subject to the satisfaction of a performance condition, as the WBSRSOS is Inland Revenue approved and open to all eligible employees.

In consequence of the acquisition of Wilson Bowden, under the rules of the WBSRSOS, options granted which were not already exercisable became exercisable during the six months following 23 April 2007, to the extent of the savings made under related savings contracts at the time of the exercise together with any accrued interest or bonus due. Pursuant to the provisions of Wilson Bowden Limited's Articles of Association, shares arising upon exercise of such options after the Reorganisation Record Time for the Scheme of Arrangement by which the acquisition was effective (the 'Scheme') being 6pm on 24 April 2007, but prior to expiry of such six month period, will automatically be acquired by the Company in consideration for the payment by the Company to the holders of option shares substantially equivalent to that receivable under the Scheme had the option shares been in issue at the Reorganisation Record Time. Any options outstanding upon the expiry of this six month period will lapse. Details of ordinary shares held under option under the WBSRSOS together with options exercised or lapsed during the period under review are provided in the table on page 80.

26. Share-based payments (continued)

Outstanding options

At year end the following options issued in accordance with the rules of the Executive Share Option Plan, the Employee Share Option Plan, the Long-Term Performance Plan and the WBSRSOS were outstanding:

Date of grant	Option price pence	2007 Number	2006 Number	Not exercisable after
Executive Share Option Plan				
11 December 1997	222	20,000	90,000	10 December 2007
15 October 1998	205	39,000	69,000	14 October 2008
30 September 1999	275	47,000	202,000	29 September 2009
27 October 2000	273	52,000	212,952	26 October 2010
1 November 2001	330	77,764	221,664	31 October 2011
22 October 2002	435	360,738	705,495	21 October 2012
10 October 2003	545	850,210	1,961,349	9 October 2013
8 October 2004	543	1,748,433	2,329,509	7 October 2014
Total Executive Share Option Plan options		3,195,145	5,791,969	
Employee Share Option Plan				
10 April 2000	240	13,000	15,500	9 April 2010
29 March 2001	315	32,000	44,500	28 March 2011
25 April 2002	470	64,500	91,000	24 April 2012
14 May 2004	590	536,080	1,116,000	13 May 2014
Total Employee Share Option Plan options		645,580	1,267,000	
Total share options – Barratt Developments PLC		3,840,725	7,058,969	
Long-Term Performance Plan				
27 November 2003	–	–	342,825	–
8 October 2004	–	432,604	432,604	–
18 November 2005	–	1,040,888	1,040,888	–
16 November 2006	–	712,767	–	–
Total Long-Term Performance Plan - Barratt Developments PLC		2,186,259	1,816,337	
Total share options and Long-Term Performance Plan - Barratt Developments PLC		6,026,984	8,875,306	
Wilson Bowden plc 2003 Savings Related Share Option Scheme				
13 June 2003 – 3 year	811	–	–	23 October 2007
13 June 2003 – 5 year	811	80,457	–	23 October 2007
21 April 2004 – 3 year	1,055	3,289	–	23 October 2007
21 April 2004 – 5 year	1,055	21,099	–	23 October 2007
4 May 2005 – 3 year	1,068	18,005	–	23 October 2007
4 May 2005 – 5 year	1,068	13,708	–	23 October 2007
16 October 2006 – 3 year	1,590	46,095	–	23 October 2007
16 October 2006 – 5 year	1,590	19,378	–	23 October 2007
Total Wilson Bowden plc 2003 Savings Related Option Scheme		202,031	–	
Total share options – Wilson Bowden Limited		202,031	–	

26. Share-based payments (continued)

The number and weighted average exercise prices of the Executive Share Option Plan were as follows:

	Weighted average exercise price in pence 2007	Number of options 2007	Weighted average exercise price in pence 2006	Number of options 2006
Outstanding at 1 July	494	5,791,969	480	7,464,300
Forfeited during the year	522	(132,000)	538	(226,769)
Exercised during the year	470	(2,464,824)	416	(1,445,562)
Outstanding at 30 June	512	3,195,145	494	5,791,969
Exercisable at 30 June	474	1,446,712	352	1,501,111

The number and weighted average exercise prices of the Employee Share Option Plan were as follows:

	Weighted average exercise price in pence 2007	Number of options 2007	Weighted average exercise price in pence 2006	Number of options 2006
Outstanding at 1 July	567	1,267,000	554	1,709,500
Forfeited during the year	577	(114,600)	587	(212,500)
Exercised during the year	578	(476,820)	449	(230,000)
Outstanding at 30 June	557	645,580	567	1,267,000
Exercisable at 30 June	557	645,580	401	151,000

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

	Weighted average exercise price in pence 2007	Number of options 2007	Weighted average exercise price in pence 2006	Number of options 2006
Outstanding at 1 July	-	1,816,317	-	775,429
Forfeited in the year	-	(171,411)	-	-
Exercised in the year	-	(171,414)	-	-
Granted during the year	-	712,767	-	1,040,888
Outstanding at 30 June	-	2,186,259	-	1,816,317
Exercisable at 30 June	-	-	-	-

The number of options at 1 July 2005 and 30 June 2006 has been restated to include an additional 91,433 Long-Term Performance Plan options that had been granted to senior management.

The number and weighted average exercise prices of the Wilson Bowden plc 2003 Savings Related Share Option Scheme were as follows:

	Weighted average exercise price in pence 2007	Number of options 2007	Weighted average exercise price in pence 2006	Number of options 2006
Outstanding at 1 July	-	-	-	-
Acquired with subsidiary	1,126	240,963	-	-
Forfeited during the period since acquisition	1,275	(7,659)	-	-
Exercised during the period since acquisition	1,040	(31,273)	-	-
Outstanding at 30 June	1,133	202,031	-	-
Exercisable at 30 June	970	108,035	-	-

26. Share-based payments (continued)

The weighted average share price, at the date of exercise, of Barratt share options exercised during the year was 1,075p (2006: 886p).

The weighted average life for outstanding Barratt share options at the end of the year is 4.7 years (2006: 6.1 years).

Income statement charge

A charge to the income statement has been made for the awards issued on or after 7 November 2002 that had not vested at 1 January 2005 in accordance with IFRS2 'Share-based Payments'.

Long-Term Performance Plan

The weighted average fair value of the options granted during 2007 was 788p (2006: 609p) per award. The awards have been valued using a Present-Economic Value model for the EPS element of the scheme and a Monte Carlo model for the TSR element of the scheme.

The weighted average inputs to the Present-Economic Value model were as follows:

	2007 Grants	2006 Grants
Average share price	1,095p	856p
Average exercise price	-	-
Expected volatility	25.0%	25.0%
Expected life	2.6 years	2.6 years
Risk free interest rate	-	-
Expected dividends	3.0%	3.5%

The weighted average inputs to the Monte Carlo model were as follows:

	2007 Grants	2006 Grants
Average share price	1,095p	856p
Average exercise price	-	-
Expected volatility	25.0%	25.0%
Expected life	2.6 years	2.6 years
Risk free interest rate	-	-
Expected dividends	3.0%	3.5%

Expected volatility was determined by reference to the historical volatility of the Group's share price over a period consistent with the expected life of the options. The expected life used in the model has been adjusted based on the Directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Total expense

The Group recognised an expense of £4.4m (2006: £3.1m) in respect of equity-settled share-based payment transactions for the year ended 30 June 2007. At 30 June 2007, an accrual of £1.2m (2006: £1.5m) was recognised in respect of National Insurance liabilities on share-based payments.

27. Reconciliation of movements in equity

Group reconciliation of movements in equity

	Attributable to equity holders of the parent							Total retained earnings £m	Total £m
	Share capital £m	Share premium £m	Merger reserve £m	Own shares £m	Share-based payment £m	Hedging reserve £m	Retained earnings £m		
Balance at 1 July 2005	24.2	197.9	–	(15.8)	4.7	–	1,114.6	1,103.5	1,325.6
Profit for the year	–	–	–	–	–	–	275.0	275.0	275.0
Disposal of own shares	–	–	–	2.4	–	–	–	2.4	2.4
Dividends	–	–	–	–	–	–	(67.5)	(67.5)	(67.5)
Issue of share capital	0.1	4.4	–	–	–	–	–	–	4.5
Share-based payments	–	–	–	–	3.1	–	–	3.1	3.1
Revaluation of available for sale financial assets	–	–	–	–	–	–	(4.5)	(4.5)	(4.5)
Tax on available for sale financial assets	–	–	–	–	–	–	1.3	1.3	1.3
Balance at 30 June 2006	24.3	202.3	–	(13.4)	7.8	–	1,318.9	1,313.3	1,539.9
Profit for the year	–	–	–	–	–	–	300.4	300.4	300.4
Disposal of own shares	–	–	–	10.6	–	–	–	10.6	10.6
Dividends	–	–	–	–	–	–	(77.1)	(77.1)	(77.1)
Issue of share capital	10.4	3.8	1,107.8	–	–	–	–	–	1,122.0
Share issue costs	–	–	(0.1)	–	–	–	–	–	(0.1)
Share-based payments	–	–	–	–	4.4	–	–	4.4	4.4
Revaluation of available for sale financial assets	–	–	–	–	–	–	(0.7)	(0.7)	(0.7)
Gains on hedged swap arrangements	–	–	–	–	–	12.3	–	12.3	12.3
Amounts transferred to the income statement	–	–	–	–	–	(1.5)	–	(1.5)	(1.5)
Tax (charged)/credited to reserves	–	–	–	–	5.8	(3.0)	(2.0)	0.8	0.8
Balance at 30 June 2007	34.7	206.1	1,107.7	(2.8)	18.0	7.8	1,539.5	1,562.5	2,911.0

27. Reconciliation of movements in equity (continued)

Company reconciliation of movements in equity

	Share capital	Share premium	Merger reserve	Attributable to equity holders of the parent				Total retained earnings (restated)	Total retained earnings (restated)	Total
				Own shares	Share-based payment	Hedging reserve	Retained earnings (restated)			
	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Balance at 1 July 2005	24.2	197.9	–	(15.8)	4.7	–	276.7	265.6	487.7	
Profit for the year	–	–	–	–	–	–	50.9	50.9	50.9	
Disposal of own shares	–	–	–	2.4	–	–	–	2.4	2.4	
Dividends	–	–	–	–	–	–	(67.5)	(67.5)	(67.5)	
Issue of share capital	0.1	4.4	–	–	–	–	–	–	4.5	
Share-based payments	–	–	–	–	3.1	–	–	3.1	3.1	
Balance at 30 June 2006	24.3	202.3	–	(13.4)	7.8	–	260.1	254.5	481.1	
Profit for the year	–	–	–	–	–	–	90.8	90.8	90.8	
Disposal of own shares	–	–	–	10.6	–	–	–	10.6	10.6	
Dividends	–	–	–	–	–	–	(77.1)	(77.1)	(77.1)	
Issue of share capital	10.4	3.8	1,107.8	–	–	–	–	–	1,122.0	
Share issue costs	–	–	(0.1)	–	–	–	–	–	(0.1)	
Share-based payments	–	–	–	–	4.4	–	–	4.4	4.4	
Gains on hedged swap arrangements	–	–	–	–	–	12.3	–	12.3	12.3	
Tax charged to reserve	–	–	–	–	–	(3.4)	(1.8)	(5.2)	(5.2)	
Balance at 30 June 2007	34.7	206.1	1,107.7	(2.8)	12.2	8.9	272.0	290.3	1,638.8	

The profit for the year ended 30 June 2006 has been restated to remove £42.7m of dividends that had not been paid by subsidiary companies at the year end (note 18).

Own shares

The own shares reserve represents the cost of shares in Barratt Developments PLC purchased in the market and held by the Company on behalf of the Employee Benefits Trust in order to satisfy options and awards under the Company's incentive scheme.

Share-based payment reserve

The share-based payment reserve represents the obligation of the Group in relation to equity-settled share-based payment transactions.

Hedging reserve

The hedging reserve represents the effective portion of the gain or loss on derivative financial instruments that have been designated as hedges by the Company.

Parent Company income statement

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

Merger reserve

The merger reserve comprises the non-statutory premium arising on shares issued as consideration for acquisition of subsidiaries where merger relief under section 131 of the Companies Act 1985 applies.

28. Cash flows from operating activities

	2007	Group 2006	2007	Company 2006 (restated)
	£m	£m	£m	£m
Profit for the year from continuing operations	300.4	275.0	90.8	50.9
Tax	127.4	116.4	(0.4)	8.3
Finance income	(3.5)	(2.0)	(46.8)	(27.4)
Finance costs	55.7	24.1	38.4	12.9
Share of post-tax loss from joint ventures	1.0	–	–	–
Profit from operations	481.0	413.5	82.0	44.7
Gains on swap arrangements transferred to the income statement	(1.5)	–	–	–
Depreciation	4.9	2.1	0.1	0.2
Share-based payments	4.4	3.1	2.8	–
Imputed interest on deferred term land payables	(9.3)	(9.5)	–	–
Finance costs related to employee benefits	(2.9)	(3.9)	(2.9)	(3.9)
Revaluation of available for sale financial assets	(0.7)	(4.5)	–	–
Profit on disposal of property, plant and equipment	(2.5)	(1.6)	–	–
Impairment of investments	–	–	–	22.0
Total non-cash items	(7.6)	(14.3)	–	18.3
Increase in inventories	(262.3)	(253.8)	–	–
Increase in trade and other receivables	(10.1)	(8.7)	(454.3)	(300.4)
(Decrease)/increase in trade and other payables	(64.2)	(163.9)	0.9	(6.0)
Decrease/(increase) in available for sale financial assets	2.7	(31.3)	–	–
Total movements in working capital	(333.9)	(457.7)	(453.4)	(306.4)
Interest paid	(31.3)	(10.7)	(24.5)	(9.0)
Tax paid	(120.5)	(112.9)	(6.3)	(7.1)
Net cash outflow from operating activities	(12.3)	(182.1)	(402.2)	(259.5)

The Company cash flow for the year ended 30 June 2006 has been restated as explained in notes 18 and 27.

29. Acquisition

On 26 April 2007, the Group acquired 100% of the issued share capital of Wilson Bowden for a total consideration of £2,049.6m. Wilson Bowden is the parent company of a group of companies involved in housebuilding and property development. This transaction has been accounted for using the purchase method of accounting.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	3.5	103.5	107.0
Property, plant and equipment	23.1	–	23.1
Available for sale financial assets	8.7	–	8.7
Investments accounted for under the equity method	7.7	–	7.7
Inventories	1,828.5	34.4	1,862.9
Trade and other receivables	93.6	–	93.6
Cash and cash equivalents	17.1	–	17.1
Trade and other payables	(526.4)	1.8	(524.6)
Current tax	3.8	–	3.8
Bank loans and overdrafts	(322.2)	–	(322.2)
Derivative financial liabilities	(10.5)	–	(10.5)
Deferred tax	7.5	(41.2)	(33.7)
	1,134.4	98.5	1,232.9
Goodwill			816.7
Total consideration			2,049.6

Satisfied by:

Cash	814.8
Loan notes alternative to cash	101.6
Issue of Barratt Developments PLC shares	
– issued	1,118.0
– to be issued	1.3
Directly attributable costs	13.9
	2,049.6

Net cash outflow arising on acquisition

Cash consideration	828.7
Cash and cash equivalents acquired	(17.1)
	811.6

Barratt Developments PLC issued 102,571,785 ordinary shares of 10p nominal value to shareholders of Wilson Bowden as part of the acquisition consideration. The fair value of the shares issued was £1,118.0m which was determined using the closing bid share price at 25 April 2007. In addition, at 30 June 2007, the Company has a liability to issue shares with a fair value of £1.3m to satisfy the remaining Wilson Bowden plc 2003 Savings Related Share Option Scheme options.

The fair value adjustments comprise:

- The £103.5m adjustment to intangible assets relates to the write-off of £3.5m of goodwill on the Wilson Bowden balance sheet at acquisition and the recognition of £107.0m of intangible assets related to the brands acquired with Wilson Bowden (note 11).
- A £34.4m uplift to the carrying values of inventories to reflect the fair value of land and work in progress acquired.
- A £1.8m adjustment to trade and other payables.
- A £41.2m adjustment to deferred tax, including £32.1m related to the brands acquired, £10.3m related to the fair value uplift on inventories and other adjustments related to deferred tax of (£1.2m).

The goodwill arising on the acquisition of Wilson Bowden is attributable to the anticipated profitability of the individual sites acquired, the highly complementary geographic fit, increased access to commercial development opportunities and the anticipated future operating synergies from the combination including flexibility in relation to the expanded strategic and consented land bank.

29. Acquisition (continued)

Wilson Bowden contributed £379.6m revenue and £50.5m (including restructuring costs of £13.1m) to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of Wilson Bowden had been completed on the first day of the financial year, Group revenue for the period after fair value adjustment would have been £4,088.6m and Group profit attributable to equity shareholders, excluding the costs incurred by Wilson Bowden in its sale and restructuring costs of £48.9m, would have been £557.2m.

As a result of the acquisition of Wilson Bowden, the Directors have reviewed Group operations and as a result the Group has closed certain divisional operations.

Wilson Bowden had guaranteed the repayment of bank loans, overdrafts and financial guarantees made available to its subsidiary undertakings. At 26 April 2007, liabilities outstanding under these bank loans and overdrafts amounted to £10.3m. Contingent liabilities in respect of Wilson Bowden subsidiary undertakings' financial guarantees amounted to £37.5m. In addition, Wilson Bowden had entered into counter indemnities in the normal course of business in respect of performance bonds. Certain of the Wilson Bowden subsidiary undertakings had commitments for the purchase of trading stock entered into in the normal course of business.

30. Operating lease obligations

a) The Group as lessee

At 30 June, the Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2007		Group 2006	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	5.5	4.2	2.2	2.4
Between two and five years	14.1	3.9	4.6	2.1
In five years or more	10.1	–	3.6	–
	29.7	8.1	10.4	4.5

Operating lease payments represent rentals payable by the Group for certain of its office properties and motor vehicles. Motor vehicle leases have an average term of 1.6 years (2006: 2.4 years) to expiry. Property leases have an average term of 3.1 years (2006: 2.6 years) to expiry.

At 30 June, the Company has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Company 2007		Company 2006	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	0.7	0.1	0.2	0.1
Between two and five years	2.4	0.1	0.8	0.1
In five years or more	2.0	–	0.7	–
	5.1	0.2	1.7	0.2

Operating lease payments represent rentals payable by the Company for certain of its office properties and motor vehicles. Motor vehicle leases have an average term of 2.0 years (2006: 2.1 years) to expiry. Property leases have an average term of 9.1 years (2006: 9.3 years) to expiry.

30. Operating lease obligations (continued)

b) The Group as lessor

Property rental income earned during the year was £0.1m (2006: £nil).

The Group has lease agreements with third parties for certain commercial properties either in the process of development or which have been developed by the Group. It is intended that these properties, with their future rental income, will be sold to third parties in the normal course of business, and therefore they are classified as work in progress until the date of sale. At 30 June 2007, these rental agreements have an average term of 6.6 years (2006: nil) to expiry and total rental receivables over the entire lease period are £1.9m (2006: £nil).

31. Contingent liabilities

The Company has guaranteed certain bank borrowings of its subsidiary undertakings, amounting to £8.4m at the year end (2006: £8.4m). This guarantee relates to a loss making subsidiary. The liabilities of the Group, which is equal to the net liabilities of this subsidiary has been provided within the consolidated financial statements.

The Group has entered into counter indemnities in the normal course of business in respect of performance bonds. Certain subsidiary undertakings have commitments for the purchase of trading stock entered into in the normal course of business.

Wilson Bowden Limited, as parent company of the Wilson Bowden Group, has guaranteed £34.4m of its subsidiary undertakings' financial guarantees and £18.3m of bank overdrafts at 30 June 2007. No liability has been recorded in the consolidated financial statements for these guarantees as the possibility of Wilson Bowden Limited having to settle them is remote.

32. Related party transactions

Disclosures related to the remuneration of key personnel as defined in IAS24 'Related Party Disclosures' are given in note 8. There is no difference between transactions with key management personnel of the Company and the Group.

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 amount outstanding from subsidiary undertakings to the Company at 30 June 2007 totalled £1,008.2m (2006: £554.2m). The amount owed by the Company to subsidiary undertakings at 30 June 2007 totalled £nil (2006: £nil).

During the year ended 30 June 2007, the Company made management charges to subsidiaries of £28.0m (2006: £28.2m), received interest on Group loans from subsidiaries of £45.8m (2006: £25.2m) and received dividends from subsidiaries of £97.4m (2006: £99.0m).

33. Post balance sheet event

On 23 August 2007, the Company issued \$200.0m of US Dollar denominated private placement notes with a maturity of ten years. The notes were swapped into Sterling to avoid foreign exchange exposure.

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 30 June 2007 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 Report of the Directors that is described as having been audited.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Report of the Directors and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) 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 Report of the Directors 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 Report of the Directors to be audited have been properly prepared in accordance with the Companies Act 1985, and as regards the Group financial statements Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we 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 Combined Code 2003 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 Chairman's Statement and the Group 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.

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 Report of the Directors to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 Report of the Directors 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 Report of the Directors to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 June 2007 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 IFRSs 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 2007 and cash flows for the year then ended;
- the financial statements and the part of the Report of the Directors to be audited have been properly prepared in accordance with the Companies Act 1985, and as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Report of the Directors is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
26 September 2007

Five year record, financial calendar, Group advisors, Company information and Life President

Five year record

	2007 ⁱ	2006 ⁱ	2005 ⁱ	2004 ⁱⁱ	2003 ⁱⁱⁱ Restated UK GAAP
	IFRS	IFRS	IFRS	UK GAAP	UK GAAP
Group revenue (£m)	3,046.1	2,431.4	2,484.7	2,516.0	2,171.0
Profit before tax (£m)	427.8	391.4	394.3	367.7	288.7
Share capital and reserves (£m)	2,911.0	1,539.9	1,325.6	1,116.1	908.9
Per ordinary share:					
Earnings (basic) (pence)	116.2	115.3	119.9	111.4	89.1
Dividend paid (pence)	32.07	28.33	23.67	21.58	17.26
Net assets (pence)	840	633	548	465	381
Dividend cover	3.9	4.1	5.1	5.2	5.2

Note

ⁱ Information relating to 2007, 2006 and 2005 is presented under IFRS.

ⁱⁱ Information relating to 2004 and 2003 is presented under UK GAAP, as directed by IFRS 1.

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.

Financial Calendar

Announcement of results:

Half year	28 February 2007
Full year	26 September 2007
Interim Management Statement	19 November 2007
Annual General Meeting	27 November 2007

Dividends:

Interim paid	25 May 2007
Final proposed	28 November 2007

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Investment Bankers

UBS Investment Bank

Company information

Registered in England and Wales. Company number 604574

Registered address: Rotterdam House, 116 Quayside, Newcastle upon Tyne NE1 3DA

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.

Group structure and directory

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