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Annual Report 1977



Barratt
Developments Limited





Barratt

Developments Limited
and subsidiary companies

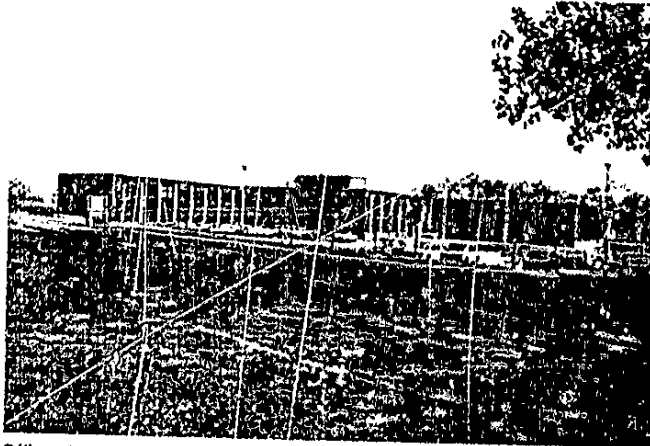


Barratt Developments (Luton) launched this new one bedroom house nationally from their prototype show house at Melbourn, Cambridge, September 1977. Now selling throughout Britain from £7,000 and meeting with huge success

Property investment

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and subsidiary companies



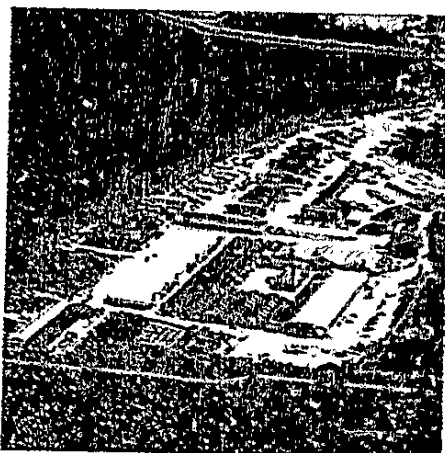
Office development at Traquair Park, Edinburgh leased to the Civil Aviation Authority for their Scottish Headquarters



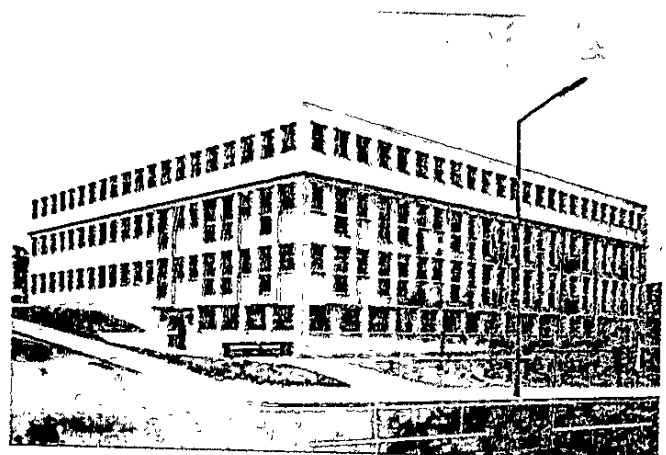
Office Development at Lerwick, Shetland Islands leased to the Department of the Environment for local government departments. Seen here Mr. J. Grimmond, M.P. for Shetland and Directors of the Barratt Group at the official opening



Barratt Developments (Scotland) moved into larger offices this year at Mayfield House, Falkirk, which was acquired as property investment for group occupation. Seen here Mr. L. A. Barratt, Chairman of Barratt Developments, Mr. H. Ewing, M.P. for Falkirk, Mr. W. Learmonth, Managing Director of Barratt Developments (Scotland) and Mr. W. H. Bruce, Chairman of Barratt Developments (Scotland), at the official opening



180,000 sq.ft. of industrial development near Luton owned by Barratt Developments (Investments)



Office development at Pudsey, Yorkshire leased to the Department of the Environment for government departments



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Marketing



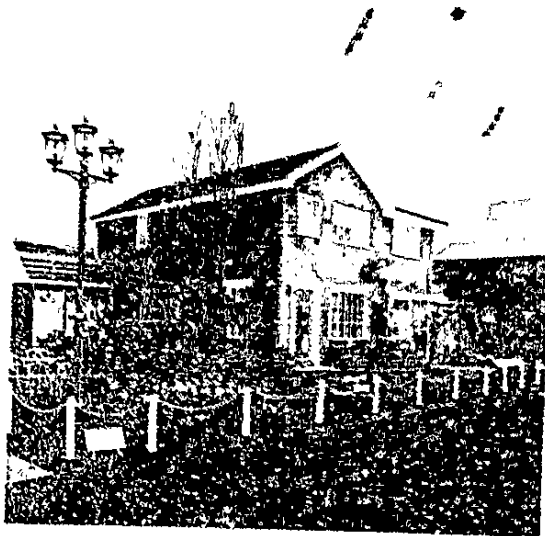
Sir Keith Joseph opening the Barratt show houses at the Ideal Home Exhibition at Olympia, London, 1977 talking to Group Chairman, Mr. L. A. Barratt and Subsidiary Chairmen, Mr. A. F. Rawson, Mr. W. H. Bruce and Mr. J. Cassidy



Interior of the three bedroomed house at the Ideal Home Exhibition, London, March 1977

The Group has consistently increased the number of houses built and sold annually even during the economic depression of the last few years. A major part of this achievement is based upon an inventive and effective marketing strategy which the Group has introduced into the building industry.

Participation in exhibitions, both local and national, help promote the Group's name and its products nationwide, while local marketing is aided by attractive sales offices and showhouse complexes. Shown on these two pages are a number of examples of the marketing policy in action.



Over 100,000 people visited these two Barratt houses at the Ideal Home Exhibition, London, March 1977



Featuring our three houses at the Scottish Homes Exhibition, Kelvin Hall, Glasgow, October 1976

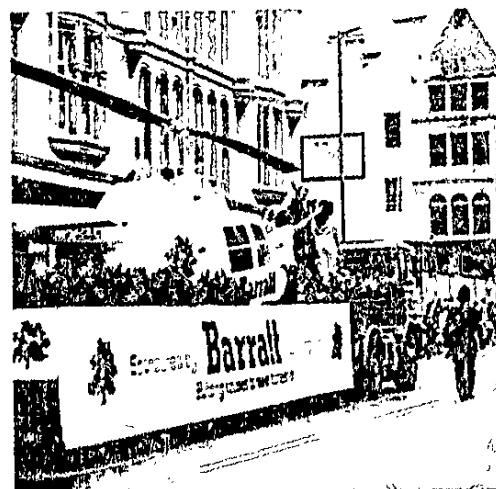
Marketing

Barratt

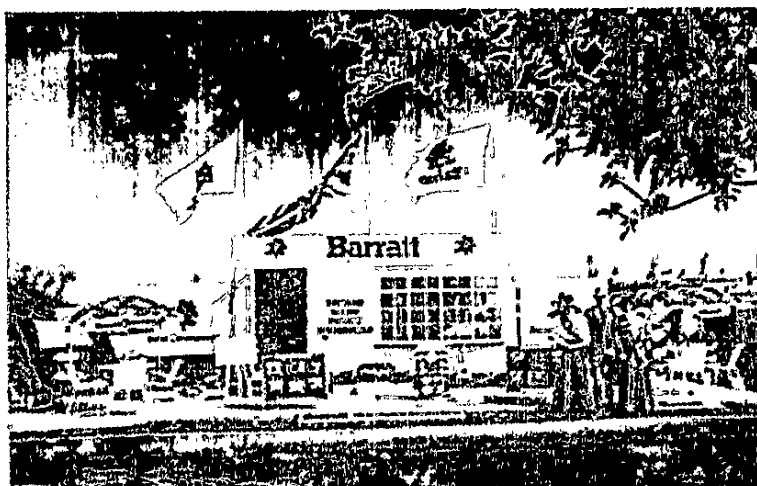
Developments Limited
and subsidiary companies



A transportable sales office. Seen here in use at the 1977 Royal Highland Show, Edinburgh



Barratt Developments (Bradford) featuring Barratt helicopter participating in Lord Mayor's Parade at Bradford with actor Patrick Allen on float



Barratt Developments (Bristol) Stand at Royal Bath and West Show, Somerset



Mr. R. Bolton, Managing Director of Barratt Developments (Leeds) outside a typical Barratt sales office



One of the Barratt City Centre Sales Offices shown here at Aberdeen



Barratt

Developments Limited

Directors

L. A. BARRATT, F.C.I.S. (Chairman and Managing Director)
J. CASSIDY, F.C.A. (Deputy Chairman)
W. H. BRUCE
A. F. RAWSON
R. V. THOMPSON, B.Sc., C.Eng., M.I.Mun.E.
R. BOLTON
R. W. R. JAMES, F.C.A., A.T.I.I.
A. SMITH

Secretary and Registered Office

S. ROWLEY, A.C.I.S.
Wingrove House Ponteland Road
Newcastle upon Tyne NE5 3DP

Registrar

LLOYDS BANK LIMITED
Registrar's Department
Goring-by-Sea
Worthing West Sussex BN12 6DA

Bankers

BARCLAYS BANK LIMITED
CLYDESDALE BANK LIMITED
LLOYDS BANK LIMITED
MIDLAND BANK LIMITED
NATIONAL WESTMINSTER BANK LIMITED
WILLIAMS & GLYN'S BANK LIMITED

Solicitors

SLAUGHTER AND MAY
London
HADAWAY & HADAWAY
Newcastle upon Tyne

Auditors

DELOITTE & CO.
Newcastle upon Tyne



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Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the nineteenth Annual General Meeting of the company will be held at the Hotel Piccadilly, Piccadilly, Manchester on Wednesday, 23rd November 1977 at 12.00 noon for the following purposes:

- 1 To receive and adopt the directors' report and the audited accounts for the year ended 30th June 1977.
- 2 To declare a dividend.
- 3 To re-elect directors: Mr. W. H. Bruce who retires by rotation and Mr. R. W. R. James and Mr. A. Smith who have been appointed since the last Annual General Meeting.
- 4 To re-appoint Deloitte & Co. the retiring auditors and to authorise the directors to fix their remuneration.

By order of the board
S. Rowley
Secretary

Wingrove House
Ponteland Road
Newcastle upon Tyne NE5 3DP
25th October 1977

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of him.

The following documents will be available for inspection at the registered office during business hours from the date of this notice until the date of the Annual General Meeting, and on that day they will be available for inspection at the place of the meeting from 11.45 a.m. until the conclusion of the meeting:

- 1 Copies of contracts of service of the directors with the company and its subsidiaries.
- 2 A statement of all transactions of directors (and of their family interests) in the share capital of the company for the past year.



Chairman's statement

The building industry has been used as an economic regulator by successive Governments but the damage inflicted on the industry in the past year has probably been unequalled in post war years.

The amount of new building work available is at a record low level and unemployment in the industry an all time high. This economic background was seriously aggravated by record interest rates and a sharp inflationary increase in building costs which could not be recovered. In addition we have had to contend with political interference in the supply of building land as a consequence of the enactment of the Community Land Act and Development Land Tax and the disruption of free market forces.

Nevertheless against this background we have succeeded in increasing our turnover significantly and more particularly in achieving a much increased share of the private housing sector. This has been achieved at a time when most housebuilders are in a state of disarray and indeed when many have completely disappeared from the industry. We have greatly consolidated our position as Britain's major private housebuilder with 280 developments throughout Britain—more than any other housebuilder. It is disappointing, although not surprising, that I have to report that this economic blizzard has taken its toll of our profit margins and disrupted our profit growth.

Group Results

Our Group turnover amounted to about £100m against £82m and our profits before tax £7.4m against £9.7m. The increase in turnover was virtually all achieved within the private housing sector which nationally was in decline during the year but as a consequence of our successful marketing we were again able to increase substantially the total number of houses built and sold by 21% over the previous year.

We achieved this by adapting to the problems of the sector whilst coping with the severe pressures on our margins. During the year building costs escalated over 20% whilst house prices nationally increased only 8%. In addition we had to carry the burden of an additional £1.5m in interest charges.

Our contracting activities increased only marginally on the previous year due to the big reduction in the amount of work available and this turnover also produced lower margins.

Our profits also suffered during the year due to the non-recurring losses sustained in the closure of certain unprofitable specialist contracting subsidiaries.

We made good progress with our property investment activities and during the year completed and fully let two office developments having a value in excess of £3m. These comprise an office development at Edinburgh let to the Civil Aviation Authority for its Scottish Headquarters and an office development at Lerwick, Shetland, let to the Government. The rationalisation of our residential investments has been very successful during the year generating useful profit and cash to be recycled into new developments with greater growth potential.

Finance

Our bank overdrafts, all from Clearing Banks, were well contained and at the year end amounted to £19.2m being about half of our facilities. To operate in the private housing sector on the scale we do, and expanding each year, demands substantial cash availability to fund our working capital. The amount of cash invested in land and work in progress, coupled with the value of property investment, amounted to £67m compared with total borrowings of £22m. I feel we are well in balance and will continue to remain so.

In consequence of the Group's adoption of the recent recommendations of the accounting bodies, there has been a release from deferred taxation to reserves of £10.1m and this, coupled with a reduction in the tax charge for the current year of £3.1m has given us the opportunity to write off the balance of goodwill from earlier years of £6.7m. This has contributed to a substantial increase in our reserves of 30th June last, which now amount to over £35m.

Dividends

Your Board are proposing a final dividend of 4.9p per share which, together with the interim dividend of 2.4p already paid, makes a total for the year of 7.3p, being 10% higher than last year, which is the maximum permitted increase under present legislation.



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Developments Limited

Acquisition and New Subsidiaries

Considerable progress was made during the year in integrating into the Group the acquisition made the previous year of H. C. Janes Limited (now Barratt Developments (Southern) Limited). The private housing activities have been re-structured into three autonomous housing subsidiaries, namely covering the South of England from the Luton base; East Anglia from the Thelford base and South West England from a new office opened in Bristol. All subsidiaries comprised within this acquisition now trade under the Barratt name to gain maximum benefit from our national marketing and are now expanding rapidly within their areas of operations. I advised you last year of our intention to establish a new subsidiary to operate in South East England and this was established in January last operating from a base in Wallington, Surrey. We have now acquired several sites in South East England and I am confident this new area will quickly assist our national coverage of the U.K. and produce an increasing share each year of this large market. We have also established a new area office at Inverness and acquired a number of sites in the area which are now being successfully developed. Our subsidiaries at Falkirk and Hull have also moved into larger premises to assist expansion. To strengthen our contracting activities in the Shetland Isles we acquired for cash in February, Wm. Fraser & Partners Limited, a local contracting company. This permanent base will enable us to improve our service and efficiency in our contracting work in the Shetland Isles.

Management

Our management has had an extremely difficult task during the year in coping with the considerable problems of the industry. My colleagues have adapted and succeeded extremely well in operating under such adverse conditions. My grateful thanks go to them for their efforts in enabling expansion of your Group to continue notwithstanding the problems.

Mr. A. F. Rawson, a main board director, and who was Managing Director of Barratt Developments (North West) Limited for many years, was appointed in December last Chairman of our Southern based subsidiaries and these subsidiaries are now benefiting from his leadership and great efforts to generate expansion in this recent Group acquisition.

Your main board was further strengthened with the appointment of Mr. R. W. R. James as Group Finance Director, formerly Group Company Secretary and Accountant and also Mr. A. Smith as Group Sales Director, formerly Sales Director of our Yorkshire subsidiaries. Both have had a number of years experience in the Group and will be a great asset to us.

Future

I am confident that the Barratt Group is taking advantage of the recent upturn in the industry. The major reduction in bank interest rates provides a stimulus to the whole industry.

In the private housing sector, which will continue to dominate our activities, there remains considerable scope to increase substantially our market share. We have an excellent supply of land in good locations equivalent to three years production, well bought and worth substantially in excess of cost. This will provide an increasing number of selling outlets, particularly in the South of England. We will continue to adapt to economic and market trends. There is a national shortage of good quality housing at prices which people can afford. The launch in Cambridge last month of our new one bedroom Mayfair house, and nationally acclaimed, has been immediately successful and is a fine example of our policy of providing a quality product at the right price. This house is marketed from £7,000 representing a weekly outlay to the purchaser of around £9, often cheaper than renting. The declining public sector is incapable of meeting this unfulfilled demand for new houses due to its financial situation and the onus thus falls on the private sector. We aim to contribute increasingly to meet this demand.

The continued reduction in Building Society interest rates and the substantial improvement in the availability of mortgages now provide us with the opportunity to



achieve this aim. We are fortunate in receiving such excellent support from all the major Building Societies. House prices must rise substantially within the next twelve months and the better climate should enable margins to improve during the course of the year. Likewise, the lower interest rates should quickly see an upturn in the contracting workload available within the country and we should benefit from this. Our property investments now produce a rent roll of £1.3m and this should steadily increase in the future.

25th October 1977

Chairman and Managing Director

Analysis of ordinary shareholdings

CATEGORY	Number of accounts		Number of shares	
	Number	% of total	Number	% of total
Insurance companies	18	0.31	2,725,494	10.14
Banks	28	0.49	1,004,021	3.73
Pension Funds	22	0.38	1,199,843	4.46
Nominee holdings	225	3.92	7,614,509	28.32
Other corporate bodies	268	4.68	5,048,456	18.78
Individuals	5,180	90.22	9,294,990	34.57
Total	5,741	100.00	26,887,313	100.00
HOLDINGS				
1 to 500	2,278	39.68	623,030	2.32
501 to 2,500	2,700	47.03	3,153,901	11.73
2,501 to 10,000	530	9.23	2,395,023	8.91
10,001 to 25,000	72	1.25	1,238,735	4.60
25,001 to 50,000	55	0.96	2,132,836	7.93
50,001 to 100,000	50	0.87	3,841,935	14.29
100,001 and over	56	0.98	13,501,853	50.22
Total	5,741	100.00	26,887,313	100.00



Barratt

Developments Limited

Directors' report

The directors have pleasure in submitting their report and the audited accounts for the year ended 30th June 1977.

Activities of the company and its subsidiary companies

The group's principal activities are building and development, contracting and property investment.

During the year the group acquired for a cash consideration of £162,000 William Fraser & Partners Limited which has operated as building contractors for many years in Shetland. Following this acquisition the name of the company was changed to Barratt Construction Limited and with effect from 1st March 1977 the contracting activities of Barratt Developments (Aberdeen) Limited were transferred to this company.

Turnover and profit

	Turnover	Profit
	£'000	£'000
Housebuilding	82,114	5,449
Contracting and manufacturing	12,264	(110)
Land sales	1,095	198
Property investment income	1,186	664
Residential investment property sales	2,658	1,206
	<u>99,317</u>	<u>7,407</u>

Dividends

The directors recommend the payment of a final dividend of 4.9250599p per share. This together with the interim dividend of 2.4p per share would make a total for the year of 7.3250599p which, after taking account of the imputed tax credit will amount to 11.098575p per share and compares with 10.0896158p per share paid last year.

The dividends paid and proposed amount to £1,969,000 and the balance of retained profit of £4,718,000 is carried forward to reserves.

If approved by the shareholders the final dividend will be paid on 24th November 1977 to shareholders on the register at close of business on 24th October 1977.

Share capital

The movement on the share capital of the company during the year was as follows:

- Conversion of 6½% convertible unsecured loan stock 1992/1997 into 1,637 fully paid 10p ordinary shares.
- Issue of 2,000 fully paid 10p ordinary shares with a corresponding reduction in the partly paid 10p ordinary shares under the terms of the executive share incentive scheme.

Directors and their shareholdings

The directors who held office throughout the year were:

L. A. Barratt
J. Cassidy
W. H. Bruce
A. F. Rawson
R. V. Thompson
R. Bolton

Mr. R. W. R. James was appointed to the board on 1st December 1976 and Mr. A. Smith on 1st March 1977. Mr. J. W. Shaw resigned on 15th December 1976.



Directors' beneficial interests in the shares of the company were as follows:

	30th June 1977 ordinary shares of 10p each			1st July 1976 or date of appointment ordinary shares of 10p each		
	fully paid	executive share incentive scheme with restricted rights 1p paid	fully paid	fully paid	executive share incentive scheme with restricted rights 1p paid	fully paid
L. A. Barratt	1,487,593	—	—	1,487,593	—	—
J. Cassidy	5,492	10,000	5,000	5,492	10,000	5,000
W. H. Bruce	110,882	10,000	5,000	110,882	10,000	5,000
A. F. Rawson	2,701	7,500	3,750	2,701	1,500	750
R. V. Thompson	12,271	25,000	12,500	13,426	25,000	12,500
R. Bolton	—	6,800	3,400	—	—	—
R. W. R. James	1,000	2,000	1,000	1,000	—	—
A. Smith	—	—	—	—	—	—

In addition Mr. J. Cassidy held £4,875 of 6½% Convertible Unsecured Loan Stock 1992/1997 at 1st July 1976.

No notification has been received of any change in the above interests during the period from 30th June 1977 to the date of this report.

No contracts of significance in relation to the company's business in which the directors of the company had an interest subsisted at any time during the year.

Substantial interests

The directors are not aware that any person other than Mr. L. A. Barratt or any corporation holds or held at any time during the year 5% or more of the nominal value of the issued share capital.

Fixed assets and investment properties

The movements of fixed assets and investment properties during the year are set out in notes 12 and 13 respectively.

Inflation accounting

Pending the issue of definitive recommendations the directors have decided not to publish any inflation adjusted figures this year.

Employees

The average number of persons employed by the group under contracts of service during the year was 3,714 and their aggregate remuneration amounted to £15,004,000. In addition a substantial number of persons was employed on group sites through sub-contractors.

Exports

There were no exports during the year.

Taxation

The company is not a close company under the provisions of the Income and Corporation Taxes Act 1970.

Auditors

In accordance with Section 14 of the Companies Act 1976, a resolution proposing the re-appointment of Deloitte & Co. as auditors to the company will be put to the Annual General Meeting.

Newcastle upon Tyne
25th October 1977

On behalf of the board
S. Rowley
Secretary



Barratt

Developments Limited
and subsidiary companies

Auditors' report

We have examined the accounts set out on pages 13 to 23 which have been prepared on the basis of the accounting policies set out on page 17.

In our opinion, the accounts give a true and fair view of the state of affairs of the company and, so far as concerns members of the holding company, the group at 30th June 1977 and of the profit and source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

Newcastle upon Tyne
25th October 1977

Deloitte & Co.
Chartered Accountants



Consolidated profit and loss account for the year ended 30th June 1977

	Note	1977	1976 Re-stated	1976 Previously reported
		£'000	£'000	£'000
Turnover	1	<u>99,317</u>	<u>81,771</u>	<u>81,771</u>
Profit before taxation	2	7,407	9,714	9,714
Taxation	3	<u>720</u>	<u>1,276</u>	<u>5,090</u>
Profit after taxation		6,687	8,438	4,624
Dividends	4	<u>1,969</u>	<u>1,763</u>	<u>1,763</u>
Retained profit		4,718	6,675	2,861
Goodwill written off	5	—	(4,381)	(5,066)
Transfer from capital reserve		<u>—</u>	<u>3,291</u>	<u>3,291</u>
Added to reserve		<u>4,718</u>	<u>5,585</u>	<u>1,086</u>
Dividend cover		3.4	4.8	2.6
Earnings per ordinary share of 10p	7	24.9p	31.4p	—
Earnings per ordinary share of 10p using previous accounting policy for deferred taxation	7	13.3p	—	17.2p
Statement of Revenue Reserve		£'000	£'000	£'000
At beginning of the year as previously reported		9,573	8,487	8,487
Prior year adjustments arising from change of accounting policies	1			
Deferred taxation provision written back		<u>10,166</u>	<u>6,352</u>	
Goodwill written off		<u>(6,721)</u>	<u>(7,406)</u>	
		3,445	(1,054)	
As re-stated		<u>13,018</u>	<u>7,433</u>	
Added to reserve for the year		<u>4,718</u>	<u>5,585</u>	<u>1,086</u>
Revenue reserve at end of the year		<u>17,736</u>	<u>13,018</u>	<u>9,573</u>

Attention is drawn to the change in accounting policies for deferred taxation and goodwill and the consequential re-statement of the 1976 results previously reported.

The notes on pages 17 to 23 form part of these accounts



Barratt

Developments Limited
and subsidiary companies

Consolidated balance sheet at 30th June 1977

	Note	1977 £'000	1976 Re-stated £'000	1976 Previously reported £'000
Capital employed:				
Share capital	8	2,695	2,695	2,695
Reserves	9	35,737	31,019	27,574
		38,432	33,714	30,269
Goodwill		—	—	6,721
		38,432	33,714	23,548
Loans	10	2,648	2,930	2,930
Deferred taxation	11	3,622	3,952	14,118
		44,702	40,596	40,596
Employment of capital:				
Fixed assets	12	4,099	3,981	3,981
Investment properties	13	10,875	10,787	10,787
Ground rents		1,478	1,281	1,281
		16,452	16,049	16,049
Current assets				
Undeveloped land		26,120	21,575	21,575
Stock and work in progress		30,192	28,108	28,108
Debtors	14	15,586	14,665	14,665
		71,898	64,348	64,348
Current liabilities				
Bank overdrafts (secured)		19,201	17,893	17,893
Creditors	15	21,574	13,392	18,392
Current taxation	16	1,249	2,245	2,245
Dividend	4	1,324	1,271	1,271
		43,648	39,801	39,801
Net current assets		28,250	24,547	24,547
		44,702	40,596	40,596

The notes on pages 17 to 23 form part of these accounts

L. A. Barratt
R. W. R. James } Directors



Balance sheet at 30th June 1977

	Note	1977 £'000	1976 £'000
Capital employed:			
Share capital	8	2,695	2,695
Reserves	9	<u>21,465</u>	<u>21,107</u>
		24,160	23,802
Loans	10	<u>2,223</u>	<u>2,418</u>
		<u>26,383</u>	<u>26,220</u>
 Employment of capital:			
Fixed assets	12	225	19
Deferred assets	11	1,536	1,142
Investment in subsidiary companies	17	<u>26,083</u>	<u>25,273</u>
		27,844	26,434
 Current assets			
Debtors		83	59
Dividends receivable from subsidiary companies		1,022	2,611
Bank balance		<u>71</u>	<u>—</u>
		<u>1,181</u>	<u>2,670</u>
 Current liabilities			
Bank overdraft (secured)		—	348
Creditors		258	296
Current taxation	16	1,050	969
Dividend	4	<u>1,324</u>	<u>1,271</u>
		2,642	2,884
 Net current liabilities		<u>(1,461)</u>	<u>(214)</u>
		<u>26,383</u>	<u>26,220</u>

The notes on pages 17 to 23 form part of these accounts


 L. A. Barratt
 R. W. R. James } Directors



Barratt

Developments Limited
and subsidiary companies

Statement of source and application of funds for the year ended 30th June 1977

	1977	1976
	£'000	£'000
Source of funds		
Profit before taxation	7,407	9,714
Adjustment for items not involving the movement of funds:		
Depreciation	815	653
Increase in ground rents	(197)	(229)
Profit on sale of fixed assets and investment properties	(1,505)	(379)
Miscellaneous items	(104)	61
Total generated from operations	6,416	9,820
Funds from other sources		
Taxation in subsidiaries at date of acquisition	6	2,724
Sale of fixed assets and investment properties	3,147	1,186
Shares issued	—	9,719
Loans	(178)	1,966
	9,391	25,415
Application of funds		
Purchase of fixed assets and investment properties	(2,663)	(8,457)
Taxation paid	(2,052)	(2,092)
Dividends paid	(1,916)	(1,389)
Purchase of goodwill on acquisition of subsidiaries	—	(4,381)
	(6,631)	(16,319)
	2,760	9,096
Increase in working capital		
Increase in undeveloped land	4,545	7,771
Increase in stock and work in progress	2,084	13,934
Increase in debtors	921	6,322
Increase in creditors	(3,482)	(7,724)
Movement in net liquid funds:		
Increase in bank overdraft	(1,308)	(11,207)
	2,760	9,096

The effects of the acquisition of new subsidiaries are summarised in note 20.



Notes to the accounts

1 Accounting policies

(a) Basis of accounting

The company prepares its annual accounts on the historical cost basis of accounting including the revaluation of certain assets.

(b) Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the holding company and all of its subsidiary companies.

(c) Turnover

Turnover represents sale of completed properties, amounts invoiced for work done, including in the case of long term contracts an element of attributable profit, rents and proceeds from the sale of land and residential investment properties, excluding inter-company transactions.

(d) Basis of taking profit

(i) Profit is taken on houses when they are physically complete and contracts for sale exchanged.

(ii) Profit on contracting and manufacturing is taken for short term contracts only when complete, and for long term contracts attributable profit is taken when there is reasonable certainty that a contract is profitable: provision is made for any anticipated losses on contracts.

(e) Deferred taxation

The company has decided to adopt the proposals outlined in the exposure draft 'Accounting for Deferred Taxation' (ED 19) and consequently provision is made for deferred taxation, except where there is a reasonable probability that no such liability will arise in the foreseeable future, at the current tax rate.

This represents a change in accounting policy and the effect on the results for the year is shown in note 3 and on the previous years results in the consolidated profit and loss account.

(f) Depreciation

Plant and equipment are depreciated, after taking account of regional development grants, in order to write off book value on a straight line basis over the expected useful lives of the asset in the business.

No depreciation is provided in respect of freehold properties or leasehold properties held on long lease.

(g) Ground rents

Ground rents are valued on a basis of up to nine years purchase.

(h) Undeveloped land

Undeveloped land is valued at the lower of cost and net realisable value. Cost includes legal costs of purchase only and excludes finance charges.

(i) Stock and work in progress

Stock is valued at the lower of cost and net realisable value. Work in progress is valued at the lower of cost including site overheads and net realisable value. Long term contracting work in progress is valued at cost including attributable overheads and a proportion of the estimated profits earned to date.

(j) Goodwill

Goodwill is written off in the year of acquisition. This represents a change in accounting policy and the effect of writing off goodwill arising in prior years is shown in the consolidated profit and loss account.



Barratt

Developments Limited
and subsidiary companies

Notes to the accounts (continued)

2 Profit before taxation	1977 £'000	1976 £'000	
After crediting:			
Net rent receivable			
Interest	664	648	
Exchange rate surplus	82	153	
Profit on redemption of loan stock	—	158	
	104	25	
After charging:			
Directors' management remuneration			
Compensation to director for loss of office	241	173	
Interest on 6½% unsecured loan stock	13	—	
Interest on long term loans	45	56	
Interest on bank overdrafts and other short term loans	50	55	
Depreciation	3,104	1,611	
Hire of plant and machinery	815	653	
Auditors' remuneration	1,536	1,162	
Pre-acquisition profit of H. C. Janes Limited	90	64	
	—	76	
3 Taxation	1977	1976 Re-stated	1976 Previously reported
	£'000	£'000	£'000
Corporation tax based on the taxable profit for the year at a rate of 52%	934	(117)	(117)
Transfer to deferred taxation—plant	—	—	202
—stock appreciation relief	258	1,843	5,394
Deferred taxation on revaluation of undeveloped land released on realisation	(408)	(440)	(379)
Overprovision of corporation tax for prior years	(150)	1,403	5,217
Underprovision of deferred taxation for prior years	(278)	(10)	(10)
	214	—	—
	720	1,276	5,090
Had the previous accounting policy been adopted for the current year the transfer to deferred taxation would have increased by £3,110,000 so as to give an overall taxation charge for the year of £3,830,000.			
4 Dividends	1977 £'000	1976 £'000	
Interim paid 27th May 1977 of 2.4p per share (1976 1.8297p)	645	492	
Proposed final of 4.9250599p per share (1976 4.7285497p)	1,324	1,271	
	1,969	1,763	
5 Goodwill written off	1977	1976 Re-stated	1976 Previously reported
	£'000	£'000	£'000
Arising on acquisitions during the year	—	4,381	4,381
As a result of group reorganisation	—	—	685
	—	4,381	5,066
As a result of the change in accounting policy as stated in note 1 (j) a further amount of £6,721,000 has been written off as a prior year adjustment.			



Notes to the accounts (continued)

6 Directors' and employees' remuneration

Remuneration of directors excluding pension contributions was:

	1977		1976	
	Remuneration	Net after tax	Remuneration	Net after tax
Chairman	£40,216	£14,105	£40,232	£12,842
Other directors	Net after tax		1977 Number	1976 Number
£ 7,501—£10,000	6,757		1	—
£17,501—£20,000	10,139		—	1
£20,001—£22,500	10,739		2	1
£22,501—£25,000	11,165		1	—
£27,501—£30,000	12,017		—	1
£30,001—£32,500	12,440		2	1
£32,501—£35,000	12,865		2	1

The 'net after tax' figures have been calculated by reference to the higher end of each band (in the case of the Chairman by reference to the actual remuneration shown) and after deducting income tax at the appropriate graduated rates on the assumption that the recipient is a married man without children and with no other source of income.

Number of senior employees whose remuneration excluding pension contributions was in excess of £10,000:

	1977 Number	1976 Number
£15,001—£17,500	—	1

7 Earnings per share

The calculations are based on earnings of £6,687,000 (1976 £8,438,000 re-stated, £4,624,000 previously reported) together with the number of shares which ranked for dividend during the year, 26,887,313 (1976 26,882,676). The 1977 earnings per share using the previous accounting policy for deferred taxation is calculated on the lines stated above with the earnings reduced by an increased tax charge of £3,110,000.

8 Share capital

	1977 £'000	1976 £'000
Authorised 35,000,000 ordinary shares of 10p each	3,500	3,500
Issued		
Ordinary shares of 10p each		
Fully paid —26,887,313 ordinary shares	2,694	2,694
—55,000 restricted ordinary shares	1	1
Partly paid—110,000 ordinary shares 1p paid	2,695	2,695

Details of the changes in the issued share capital during the year are set out in the directors' report.

9 Reserves

	The Group £'000	The Company £'000
Share premium At 1st July 1976 and 30th June 1977	18,001	18,001
Revenue reserve At 1st July 1976	9,573	3,106
Retained profit and prior year adjustments	8,163	358
	17,736	3,464
Total reserves	35,737	21,465



Barratt

Developments Limited
and subsidiary companies

Notes to the accounts (continued)

	1977 £'000	1976 £'000
10 Loans		
Group		
6½% Convertible Unsecured Loan Stock 1992/1997	673	868
Mortgages not repayable within five years	425	512
Secured bank loan repayable within five years	<u>1,550</u>	<u>1,550</u>
	<u>2,648</u>	<u>2,930</u>
Company		
6½% Convertible Unsecured Loan Stock 1992/1997	673	868
Secured bank loan repayable within five years	<u>1,550</u>	<u>1,550</u>
	<u>2,223</u>	<u>2,418</u>

The holders of the 6½% Convertible Unsecured Loan Stock 1992/1997 have the right to convert their holdings in whole or in part into fully paid ordinary shares of 10p each in any of the years 1975 to 1979 inclusive on the basis of 190p nominal of loan stock for each ordinary share.

The mortgages bear interest at rates between 6¼% per annum and the current building society rate. The bank loan bears interest at 2% above the London inter-bank market rate and is repayable by equal instalments in 1980 and 1981.

	1977 £'000	1976 Re-stated £'000	1976 Previously reported £'000
11 Deferred taxation			
Plant	—	—	—
Stock appreciation relief	4,610	4,138	696
Undeveloped land revaluation	548	956	13,772
Chargeable gains 'rolled over'	—	—	786
	<u>5,158</u>	<u>5,094</u>	<u>15,260</u>
Less: deferred assets representing advance corporation tax recoverable against future corporation tax liabilities	<u>1,536</u>	<u>1,142</u>	<u>1,142</u>
	<u>3,622</u>	<u>3,952</u>	<u>14,118</u>

Deferred taxation on plant and stock appreciation relief is stated after utilising unabsorbed tax losses which have reduced those provisions by amounts of £81,000 and £593,000 respectively.

	Freehold property £'000	Short leasehold property £'000	Plant and equipment £'000	Total £'000
12 Fixed assets				
Group				
Cost and valuation				
At 1st July 1976	2,069	38	3,892	5,999
Additions	141	—	952	1,093
On acquisition of new subsidiary	115	—	1	116
Reclassification	(21)	—	—	(21)
Disposals	(56)	(1)	(674)	(731)
At 30th June 1977	<u>2,248</u>	<u>37</u>	<u>4,171</u>	<u>6,456</u>
Comprising—cost	278	—	4,171	4,449
—valuation	<u>1,970</u>	<u>37</u>	<u>—</u>	<u>2,007</u>
	<u>2,248</u>	<u>37</u>	<u>4,171</u>	<u>6,456</u>
Accumulated depreciation	—	2	2,355	2,357
Net book value at 30th June 1977	<u>2,248</u>	<u>35</u>	<u>1,816</u>	<u>4,099</u>
Net book value at 30th June 1976	<u>2,069</u>	<u>37</u>	<u>1,875</u>	<u>3,981</u>



Notes to the accounts (continued)

Company	Plant and equipment	Total
Cost	£'000	£'000
At 1st July 1976	27	27
Additions	251	251
Disposals	(35)	(35)
At 30th June 1977	243	243
Accumulated depreciation	18	18
Net book value at 30th June 1977	225	225
Net book value at 30th June 1976	19	19

Fixed assets shown at independent professional valuation were valued in 1976 on an open market basis.

13 Investment properties	Commercial and Industrial £'000	Residential £'000	Properties in the course of development £'000	Total £'000
Group				
Cost and valuation				
At 1st July 1976	5,533	3,692	1,694	10,919
Additions	115	112	1,227	1,454
Reclassification	3,087	(145)	(2,921)	21
Disposals	—	(1,406)	—	(1,406)
At 30th June 1977	8,735	2,253	—	10,988
Comprising—freehold	4,535	2,242	—	6,777
—long leasehold	4,200	11	—	4,211
	8,735	2,253	—	10,988
Comprising—cost	1,487	2,253	—	3,740
—valuation	7,248	—	—	7,248
	8,735	2,253	—	10,988
Accumulated depreciation	—	113	—	113
Net book value at 30th June 1977	8,735	2,140	—	10,875
Net book value at 30th June 1976	5,533	3,560	1,694	10,787

Investment properties shown at independent professional valuation were valued in 1976 on an open market basis.

The depreciation charge on residential properties is in respect of furnishings included in the cost of these properties.

14 Stock and work in progress	1977 £'000	1976 £'000
Long term contracting work in progress	4,946	2,381
Progress payments received and receivable	4,300	2,262
	646	119
Housebuilding	28,256	26,696
Contracting and manufacturing	1,290	1,293
	30,192	28,108



Barratt

Developments Limited
and subsidiary companies

Notes to the accounts (continued)

15 Creditors

Creditors include an amount of £3,284,000 (1976 £3,149,000) relating to secured creditors in respect of land purchases.

16 Current taxation

	1977 £'000	1976 £'000
Group		
Corporation tax payable on or before 1st March 1979	315	306
Corporation tax payable on or before 1st March 1978	47	1,491
Advance corporation tax payable on dividends paid and proposed	1,014	949
	<u>1,376</u>	<u>2,746</u>
Less: corporation tax recoverable	127	501
	<u>1,249</u>	<u>2,245</u>
Company		
Corporation tax payable on or before 1st January 1979	46	—
Corporation tax payable on or before 1st January 1978	—	20
Advance corporation tax payable on dividends paid and proposed	1,014	949
	<u>1,060</u>	<u>969</u>

17 Investment in subsidiary companies

	1977 £'000	1976 £'000
Ordinary and preference shares at cost less amounts written off	20,994	20,890
Amount owed by subsidiary companies	5,089	4,383
	<u>26,083</u>	<u>25,273</u>

The principal subsidiary companies, all of which are wholly owned and registered in England (except for Barratt Developments (Aberdeen) Limited, Barratt Developments (Scotland) Limited, Barratt Construction Limited and Barratt Precast Limited which are registered in Scotland), are set out on page 25. All companies operate principally in their country of registration.

18 Contingent liabilities

(i) There is a contingent liability for deferred taxation as follows:

	1977 £'000	1976 Re-stated £'000	1976 Previously reported £'000
Stock appreciation relief	12,654	9,598	—
Revaluation of fixed assets	1,022	1,025	1,025
Plant	790	733	—
	<u>14,466</u>	<u>11,356</u>	<u>1,025</u>

(ii) A letter of credit for £572,000 given in respect of mortgages granted to purchasers of property from an overseas subsidiary company.

(iii) Guarantees given to secure the overdraft facilities of certain subsidiary companies.



Notes to the accounts (continued)

	1977	1976
	£'000	£'000
19 Capital commitments		
Authorised and contracted for	133	945
Authorised but not contracted for	155	168
	<u>288</u>	<u>1,113</u>
20 Summary of the effects of acquisitions		
	1977	1976
	£'000	£'000
Net assets acquired:		
Fixed assets and investment property	116	5,852
Loans and mortgages	—	(493)
Goodwill	—	4,381
Undeveloped land	—	2,393
Stock and work in progress	32	6,341
Debtors	14	1,564
Taxation	(6)	(2,724)
Creditors	(28)	(2,619)
Bank balance (overdraft)	34	(3,177)
	<u>162</u>	<u>11,518</u>
Discharged by:		
Cash	162	1,799
Shares issued	—	9,719
	<u>162</u>	<u>11,518</u>



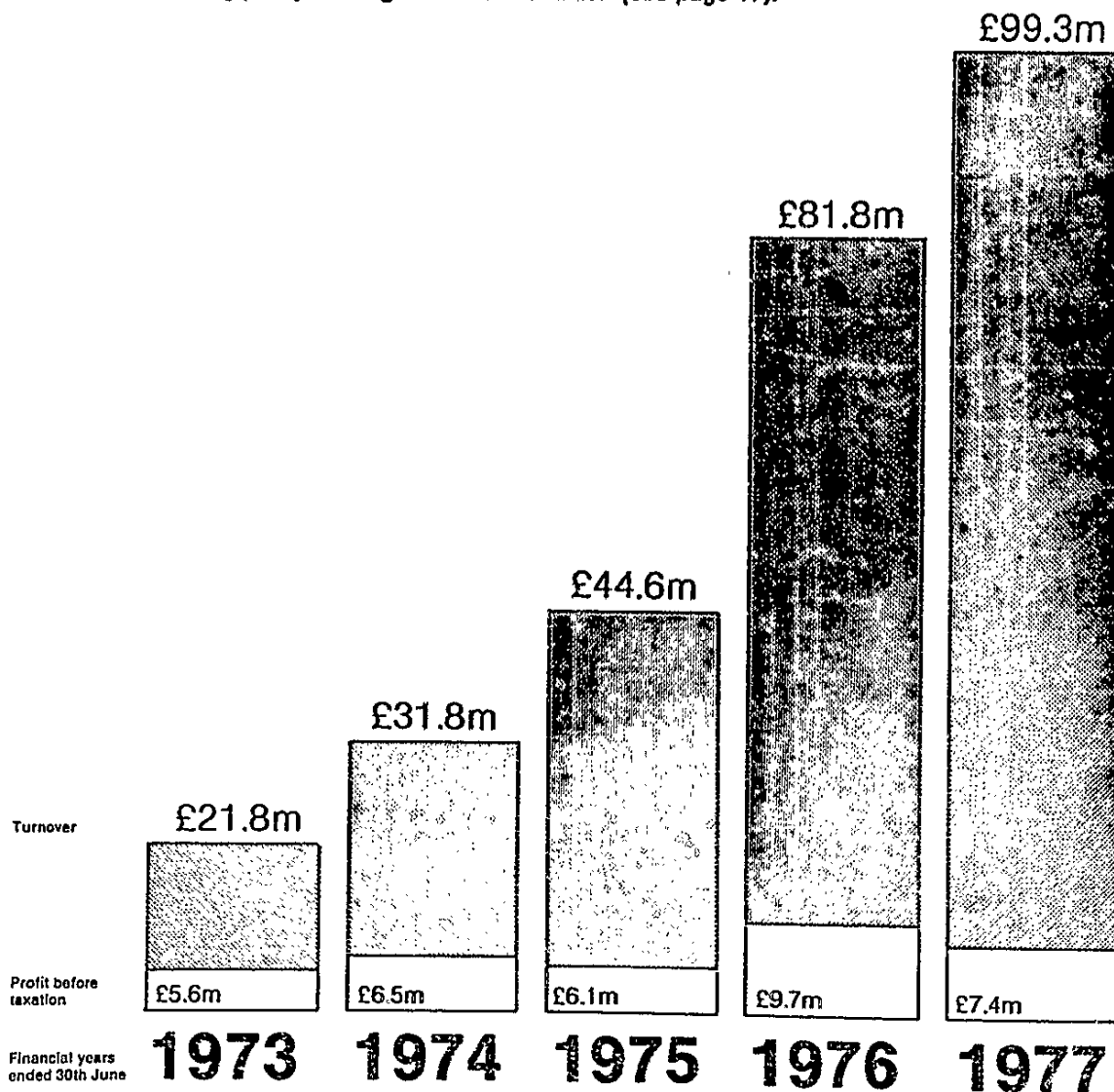
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Developments Limited
and subsidiary companies

Five year record

Year ended 30th June	Turnover	Profit before Taxation	Corporation tax rate	Per Share		Dividend cover
				Earnings	Gross Dividends	
	£'000	£'000	%	p	p	
1973	21,801	5,633	42.5	22.3	5.6	6.1
1974	31,844	6,525	52	20.1	5.9	5.7
1975	44,593	6,059	52	14.3	9.2	2.4
1976	81,771	9,714	52	17.2	10.1	2.6
1976 (re-stated)	81,771	9,714	52	31.4	10.1	4.8
1977	99,317	7,407	52	24.9	11.1	3.4

Earnings and dividends per share have been adjusted to take account of rights and scrip issues. 1976 (restated) and 1977 earnings and dividends per share and dividend cover are based upon the newly adopted accounting policy relating to deferred taxation (see page 17).





Private Housing

1. NORTH EAST SCOTLAND

Barratt Developments (Aberdeen) Ltd.
Golf Rd., Elton, Aberdeenshire AB4 5AT
Tel: Elton 20753
Regional Office
Culoden House Farm, Culoden, Inverness
Tel: Inverness 791801

2. CENTRAL SCOTLAND

Barratt Developments (Scotland) Ltd.
Mayfield House, 7 Mayfield Woods Loan, Falkirk
Falkirk FK1 5SJ. Tel: Falkirk 20011

3. NORTH EAST ENGLAND

Barratt Developments (Northern) Ltd.
Wingrove House, Portland Rd., Newcastle upon Tyne NE5 2DP. Tel: Newcastle 863665

4. YORKSHIRE

Barratt Developments (Leeds) Ltd.
32 Armada Centre, Otley Rd., Leeds LS6 2TY. Tel: Leeds 793134
Barratt Developments (Arlsey) Ltd.
Yorkshire Bank Chambers, 213 Town St., Bransley, Leeds LS13 3YL. Tel: Leeds 56711
Barratt Developments (Hall) Ltd.
General Buildings, 165-173 Beverley Rd., Hall MS13 1TY. Tel: Hall 28645
Barratt Developments (York) Ltd.
Richmond House, Midland Lane, Ferryden, York YO2 0PL. Tel: York 712224
Barratt Developments (Bradford) Ltd.
Woodhouse Works, Kite, Bradford BD10 8TD. Tel: Bradford 617511

5. NORTH WEST ENGLAND

Barratt Developments (North West) Ltd.
Worral House, 683 Chester Rd., Manchester M16 0QS. Tel: Manchester 822143
Barratt Developments (Chester) Ltd.
21 Newgate St., Chester CH1 1DE. Tel: Chester 317766
Barratt Developments (Carlisle) Ltd.
21 Dogbush St., Carlisle CA3 8JZ. Tel: Carlisle 34411

6. MIDLANDS

Barratt Developments (Midlands) Ltd.
Clifton House, 126 Nottingham Rd., Long Eaton, Nottingham NG10 2FZ. Tel: Long Eaton 68001

7. EASTERN ENGLAND

Barratt Developments (Lincoln) Ltd.
High St., Waddington, Lincoln LN5 9RH. Tel: Lincoln 720091

8. SOUTHERN ENGLAND

Barratt Developments (Luton) Ltd.
Javel House, P.O. Box 5, Luton, Beds. LU2 7XJ. Tel: Luton 31181
Regional Office
North Midlands
1165 Nelson Road, Syston, Leicestershire LE17 8JZ. Tel: Leicestershire 67727
Barratt Developments (Reading) Ltd.
Mid Lane, Theford, Northants NN4 3JZ. Tel: Theford 5418
Barratt Developments (Exeter) Ltd.
7 Hill St., Exeter EX1 1SE. Tel: Exeter 211355

9. SOUTH EAST ENGLAND

Barratt Developments (London) Ltd.
41 Stafford Road, Wallington, Surrey SM5 9AA. Tel: 01-647 4728

Contracting & Manufacturing

Barratt Construction Ltd.
Golf Rd., Elton, Aberdeenshire AB4 5AT. Tel: Elton 20753
and Northwood, Lerpwick, Shetland ZE1 4LX. Tel: Lerwick 3132
Barratt Precast Ltd.
P.O. Box 17, Longside Airfield, Aberdeenshire AB4 6ZZ. Tel: St. Fergus 307
and Kelliebank, Alloa, Clackmannanshire. Tel: Alloa 4084
Barratt (Sheepdriers) Ltd.
Arundel Works, Worsley St., Hulme, Manchester M15 4LE.
Tel: Manchester 833 021
Barratt (Painters) Ltd.
Worral House, 683 Chester Rd., Manchester M16 0QS.
Tel: Manchester 712 1402
Barratt Developments (Contracting) Ltd.
Barton Industrial Estate, Faldo Rd., Barton, Beds. MK45 4RL.
Tel: Luton 861414
Barratt (Concrete Products) Ltd.
Barton Industrial Estate, Faldo Rd., Barton, Beds. MK45 4RL.
Tel: Luton 861414

Property Investment

Barratt Developments (Investments) Ltd.
Javel House, P.O. Box 5, Luton, Beds. LU2 7XJ.
Tel: Luton 31181
Barratt Developments (Properties) Ltd.
Wingrove House, Portland Rd., Newcastle upon Tyne NE5 2DP.
Tel: Newcastle 863665



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Developments Limited

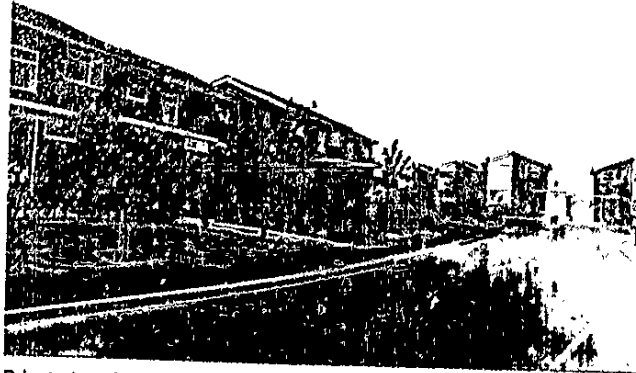
Wingrove House, Portland Rd., Newcastle upon Tyne NE5 2DP. Tel: Newcastle 863665



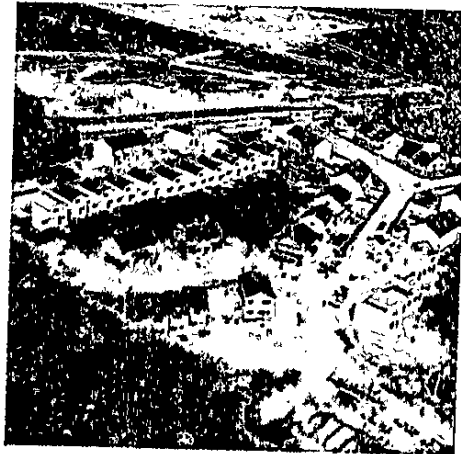
Barratt

Developments Limited
and subsidiary companies

New towns and
local authority
housebuilding



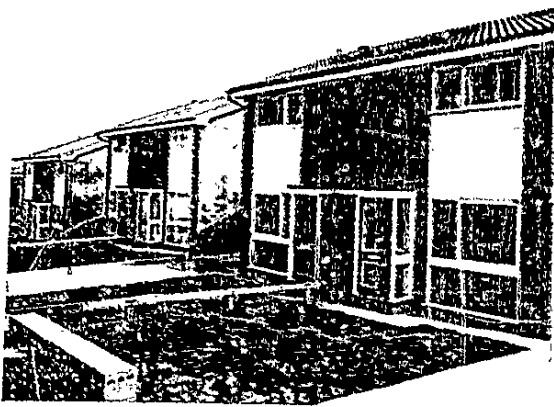
Private housing development—364 houses at
Washington New Town, Tyne & Wear
Barratt Developments (Northern)



Barratt Construction completed a £4½m contract at
Portlethan, Aberdeen, comprising 403 houses for
the Scottish Special Housing Association.
Completed October 1977



Barratt helicopter in daily use for site visits. Seen here Mr. F. J.
Lockett, Managing Director, Mr. D. Jackson, Site Agent and Mr. A. F.
Rawson, Chairman of Barratt Developments (Southern) Limited
visiting the site at Luton at the commencement of a contract for 77
houses for Luton Borough Council.



Part of a 260 house package deal at Wigan, recently completed by
Barratt Developments (North West) Limited, for the Local Authority



Barratt Developments (Contracting) completed a £4m contract
at Aylesbury, Buckinghamshire comprising 395 houses for
Aylesbury District Council—completed September 1977

Private housebuilding

Barratt
Developments Limited
and subsidiary companies



Show house complex at Tattenhall, Cheshire developed by Barratt Developments (Chester)



Private housing development at Bridlington, Yorkshire
Barratt Developments (Hull)

Barratt Win 1977 Homefinder of the Year Award



Mr A Fawcett, Managing Director and Mr R M Scott, Sales Director of Barratt Developments (York) who won for Barratt Group the 1977 Homefinder of the Year Award with this bungalow design built at York



Private housing development comprising Houses at Milton of Campsie, Glasgow Barratt Developments (Scotland)



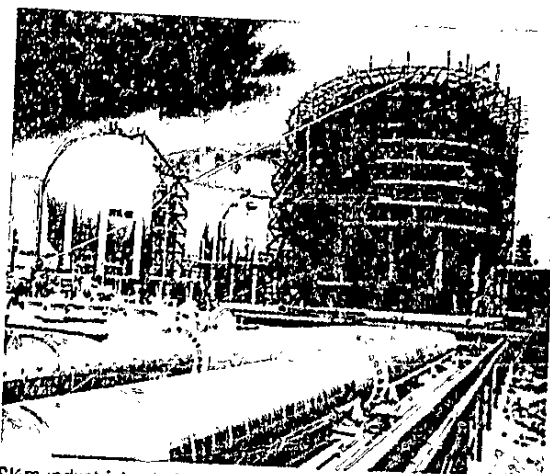
Private housing development at Sandal, Wakefield, Yorkshire
Barratt Developments (Armley)



Barratt

Developments Limited
and subsidiary companies

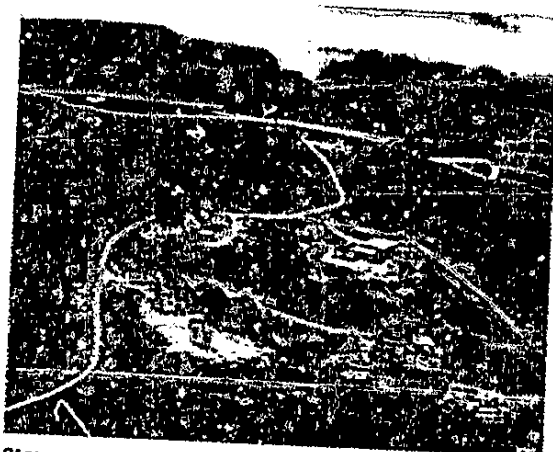
Contracting



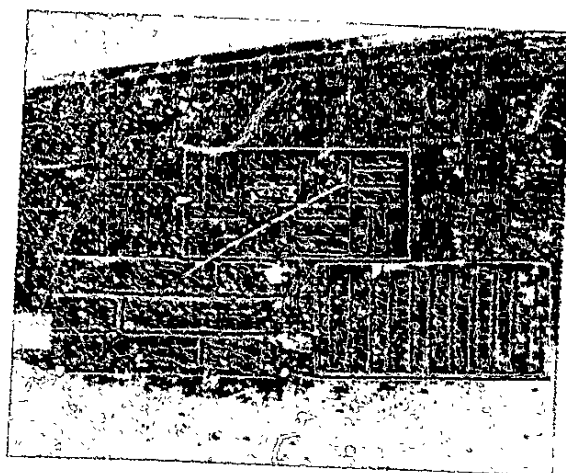
£14m industrial painting contract by Barratt (Painters) for Philips Refinery at Seal Sands, Cleveland



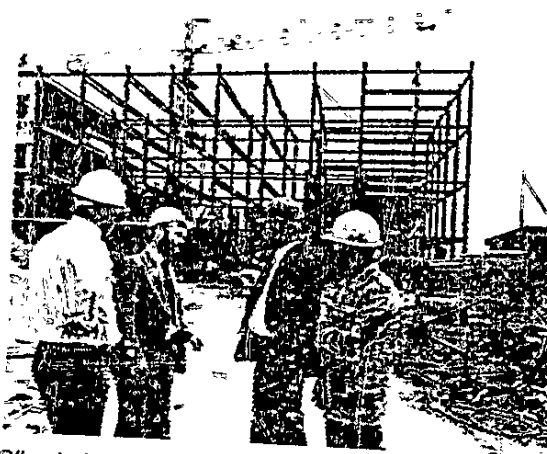
£1m shopfitting contract by Barratt (Shopfitters) for Berni Inns at Jacomelli Restaurant, Leeds



£1m contract for telecommunication installation for the Post Office at Scousburgh, Shetland



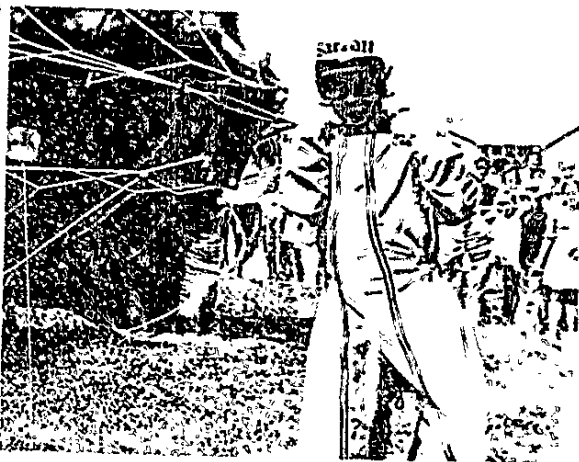
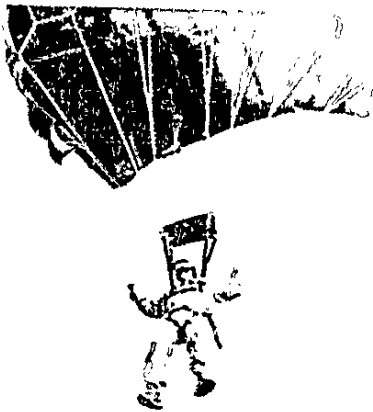
Multi-coloured artificial stone produced by Barratt Precast at Peterhead Works



Office building for British Petroleum, Dyce, Aberdeen. Seen here M. I. Fraser Construction Director, Mr W. McLeod, Contracts Manager, Mr A. Jolly, Managing Director and Mr J. Low, Site Agent

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Barrett marketing covers the entire media.
Shown here are stills from our 1976 television commercial